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TUESDAY APRIL 20 1999



Corporate lifespans Why don't more big companies die? Peter Martin, Page 14



Anglo American Promising to be a model of transparency Interview, Page 12



Fund management Why MLM defends the right to misjudge Page 24

Third world debt The west offers deeper, faster relief Page 6

WORLD NEWS

EBRD warns it may cut lending in wake of Russian crisis

The European Bank for Reconstruction and Development, the multilateral bank for the countries of the former Soviet bloc, could cut its landing in the wake of the Russian crisis, Horst Köhler, the bank's president, said. Page 16

New government for India 'in days' India's Congress party said it would form a government to replace the ousted Bharatiya Janata party coalition "within days", but it plans to approve the BJP's budget tomorrow. Page 16

Bülent Ecevit, Turkey's prime minister, was set to form a govemment with the Nationalist Action party, the far-right group that secured the second largest share of the vote in general elections. Europe, Page 3

No breakthrough in Ulster talks Five hours of talks between Northern ireland's political parties in London failed to achieve a breakthrough in the deadlock over terrorist disarmament, But all the parties ruled out putting the peace process on hold until the autumn. Britain, Page 11

Rome tries to salvage reforms Italy's leading politicians were trying to salvage the country's drive for political and institutional reform after a referendum on Sunday failed to end proportional representation. Europe, Page 3

Vinter Clympics leses sponsor The Olympic corruption scandal claimed its first sponsorship victim after Johnson & Johnson said it had abendoned plans for a \$30m sponsorship deal with the 2002 Winter Olympics in Salt Lake City. US, Page 5

Australian alarm over East Timor The Australian government signalled its growing alarm over escalating violence in East Timor Howard, prime minister, to visit Indonesia. Asia-Pacific, Page 8

Gadaffi brokers 'Congó peace' Muammer Gadaffi, the Libyan leeder, has brokered a peace agreement between the Ugandan and Congolese presidents, almed at ending the nine-month war in the Democratic Republic of Congo, Libyan state media said. International, Page 6

Report on Africa's child soldiers More than 120,000 children. some as young as seven, are serving as soldiers in Africa's wars, according to a report. International, Page 6

Colombia renewe guerrilla talks The Colombian government will renew talks with leftwing guerrills leaders today in what may prove the last realistic chance of hammering out a specific agenda to end 35 years of fighting.

Nigeria to lay off civil servants Nigeria's military government is quietty preparing to lay off tens of thousands of civil servents. International, Page 6

US texpayers field \$5bn sports bill Major league bail parks, stadiums and arenas have cost US texpeyers more than \$5.2bn since 1989 and will cost at least another \$9bn in coming years, says a new study. US, Page 5

STOCK MARKET RIDICES New York: lunchtime

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BUSINESS NEWS

Europe's retail giants forge new alliances

Europe's retail sector was braced for a long-awaited round of consolidation as some of the region's leading companies, including Kingfisher and Asda in the UK and Karstadt and Quelle in Germany, announced alliances aimed at creating a super league of retailers. Companies and Markets, page 17; Lex, Page 16

Finimest, \$10bn holding company of Silvio Bertuaconi, is planning to transform itself into a pan-European media and enterainment conglomerate to rival US media and entertainment groups such as Time-Warner. Europe companies, Page 18

Gucci, embettied Italian fashion company, has written to LVMH, French luxury goods group, promising to recommend accep-tance of an LVMH offer if it makes an unconditional offer of \$88, valuing Gucci at \$9bn. Europe companies, Page 18

Citigroup, financial services conglomerate, launched a bullish assessment of its prospects as its first quarter earnings showed profits up 12 per cent to \$2.42bn. Companies and Mar-kets, Page 17; Fortunes diverge, Page 20

Volvo, Swedish automotive group, announced a SKr26,7bn (\$3.21bn) capital gain on the sale of its car division to Ford of the US and pledged to use the proceeds for a share buy-back and acquisitions. Europe companies, Page 18

Hyundal and Daewoo, South Korea's two biggest conglomerates, announced restructuring plans to cut their large debts in response to growing government pressure. Companies and markets, Page 17; Lex, Page 16; Daewoo shipbuilding sale, Page 22

Lierars of London signed a five-year egreement with six of the world's top insurers to cover its central mutualised fund for 2350m (\$563m) - increasing to 2800m the resources that support the market's policies. UK news, Page 10

The World Trade Organisation authorised the US to impose \$191.4m in trade sanctions on Europeen Union goods as retailed tion for the EU's failure to make its banana import regime consist ent with international trade rules. World Trade, Page 4

Deloitte Touche Tehmatsu, the global Big Five Tirm, has announced plans to integrate financially its national firms into a single organisation covering 90 per cent of its \$9bn revenu North American companies, Page 20

Austrian Airlines, one of Europe's fastest-growing and most profit-able carriers, is seeking to raise around £250m (\$268m) in new equity. Europe compa Page 18

Euro Markets

WORLD MARKETS

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euro currency zone, covering foreign exchange, bond and equity markets. Pege 27

Telecoms boards meet to discuss \$180bn link

Deutsche Telekom and Telecom Italia merger would face regulatory hurdles

By Poul Betts in Milan, William Lewis in New York and Alan Cane

The supervisory boards of Deutsche Telekom and Telecom Italia were meeting last night to approve a merger that would create the world's largest telecommunications group.

The proposed deal would change the balance of power in

the global telecoms industry, but it faces huge regulatory hurdles and the difficulty of unravelling alliances with other operators. Governments in France, Ger-

many and Italy are awaiting details of the plan, which raises sensitive issues of ownership and control of a strategic industry. Telecom Italia announced last night that it was postponing a

press conference in London today where the planned alliance was expected to be unvelled. The announcement came in the middle of a board meeting that had already lasted seven hours. The delay fuelled speculation

that Franco Bernabe, Telecom Italia's chief executive, was facing opposition from his board, which is trying to fend off a sensrate hostile bid by Olivetti, its smaller Italian rival. The main sticking point appeared to be a proposal that would see the Ger-

World's the TV (Micon compat

Company	Country	(Stort)
T.Maila/D.Telelom*	Italy/Ger.	178,20
SSC/Americon*	US	172.74
NIT .	Japan	172.32
MCI WorldCore	US.	166.20
Bell Atlantic/GTP	US	154.40
ATST	US	128,00
Vodalone/AirTouch	UKAUS .	110.07
British Telecom	UK.	105,88
France Telecom	France	· 84.77
Bell South	US	80.52
States Indian	=	Piercad Mingrati

merged entity.

A Deutsche Telekom-Telecom Italia merger would create a sprawling giant with a market

capitalisation of almost \$180hn, and would mark the first time that one national operator has acquired another. Both companies have important alliances and cross-shareholdings with other operators,

with one of the most important being the link between Deutsche Telekom and France Telecom. France Telecom said yesterday it was told of the deal only at the weekend. It said: "Our agreements with Deutsche Telekom

are clear and incompatible with a

unflateral strategic reversal." The deal has received a favourable reaction in Bonn and Massimo D'Alema, the Italian premier, is under political obligations to Germany after Bonn's endorsement of Romano Prodi as the new European Commission president.

However, Mr D'Alema insisted yesterday Italy could not accept the idea of a privatised Telecom Italia merging with a company whose principal shareholder was the German government.

Deutsche Telekom is 74 per cent state owned, while the Italian Treasury still holds a 3.4 per cent stake in Telecom Italia as Although Mr D'Alema said his

povernment was studying "with interest" the proposed merger, he also insisted it was still necessary to know how and when the German government intended to shed its controlling stake. Goldman Sachs in advising Deutsche Telekom. JP Morgan

and Credit Suisse First Boston are advising Telecom Italia. Additional reporting by David Owen in Paris, Michael Smith in Brussels and Ralph Atkins in

Olivetti sticks with bid, Page 18



Reichstag opening heralds new era but remembers past

Brilliant sunshine on the Reichstag cast a shadow of the past across Berlin yesterday as politicians crowned the unification of Germany with their first parliamentary session in the restored building. But the speeches in the open-

ing debate under the high-tech steel and glass dome ne comously downbeat. Even Gerhard Schröder, the German chancellor, talked more about the past than the future.

Outside, a small group of protesting concentration camp survivors, dressed in prison camp clothes, underlined the difficulties Germany faces in trying to look forward by calling on politi-

cians not to forget the Holocaust. Mr Schröder has been a powerful orator in high-profile events, such as the European Union's Berlin summit or the special congress of his ruling Social Democratic party in recent weeks. Yes-

reflective chancellor who mused on the Reichstag's prominence in the upheavals which have convulsed Germany since the building was completed in 1894. Rather than sending a strong

political message, his focus was on Berlin and its role as the new The DM600m (€306m, \$328m)

by Sir Norman Foster, the British architect, marks the latest, and most important, step in the transfer of the German government from Bonn to the new capital. By September, when the Reichstag will become the perma-

nent home of the Bundestag the lower house of parliament most ministries should be fully or partly functional. The chancellor went out of his way to reassure Germany's part-

ners the democratic values that had characterised Bonn would not be diluted.

terday, however, it was a more to German history, to the place of two German dictatorships, which brought great suffering to the people of Germany and of Europe," Mr Schröder told the Bundestag members. "But equating Reichstag with Reich [empire] makes no sense...The federal model of German politics goes on and is not in the slightest danger." He emphasised that the city's proximity to Poland and other eastern European countries would underpin the EU's efforts to incorporate former communist states from the east.

But he also underlined that last year's election of a Social Democrat-led government and of a new generation of politicians born after the fall of the Nazis marked a turning point. Referring obliquely to German participation in Nato action in Yugoslavia, he noted: "Germany's role in the world has changed." Yet he stressed benefits at

home were still far from evident "The move to Berlin is a return to many former East Germans.

Belgrade beginning to waver, says Italy

By James Biltz and William Dawkins in Rome

Slobodan Milosevic, the Yuguslav president, is under pressure from the country's business and political establishment to seek a necotiated settlement to the war in Kosovo, Italy's foreign minister

Lamberto Dini told the FT that some in the Belgrade establishment now doubt the wisdom of Yugoslavia continuing to submit to the Nato bombing campaign. The foreign minister did not

give specific details of his cources, but Italy has long had close diplomatic ties with Yugoslavia and with the Serb leadership. Italy is the only country taking part in the Nato attacks which still keeps an embassy in Belgrade. Its ambassador was summoned to Rome over the weekend for consultations and briefed Mr Dini yesterday.

"Doubts are beginning to emerge among people in his circle," Mr Dini said. "There is beginning to filter into Milosevic the doubt and the question that he is not likely to succeed and that he should seek a negotiated

Mr Dini said he understood that doubts were being expressed by traditional supporters and

The criticisms had come from members of the various political parties in the government coalition and factory managers".

Mr Dini said the Italian govern ment continued to back the Nato bombardment, most of which has been launched from military and civil airports on its territory. "Italy is not a weak link," he said. But he warned that the time available for political settlement was limited. The war would develop an unstoppable momen tum "within two weeks".

A sanior Italian defence official

said Nato leaders would discuss the possible use of ground troops at their summit in Washington at the end of the week.

Mr Dini expected Russia to launch an initiative in the next week to convince Mr Milosevic to accept the principle of an international force to protect refuge returning to Kosovo. One option being looked at was a force including a substantial Russian contingent under Nato command.

"We are telling [Milosevic] that Nato will remain united and that he must understand that he cannot win," Mr Dini said. "The question is after how much damage and tragedy to Kosovo and to his own people."

Kosovo crisis, Paga 2 those close to the Serbian leader. Returning the refugees, Page 14

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KOSOVO CRISIS ALLIANCE STUDIES WAYS TO STOP FUEL GETTING THROUGH MONTENEGRIN PORT M SERBS DIG IN TO SURVIVE WAR-TORN ECONOMY CONFLICT HITS AGRICULTURE IN REGION. Bid to set record straight on civilian deaths Nato looks at

Nato admitted yesterday it may have bombed civilian convoy last week, in an public relations disaster for Belgrade says dozens of civil-

But the alliance insisted that its pilots believed they were attacking military targets and that they stopped their attacks as soon as they realised civilian vehicles

of any civilian casualties.

Nato suggested Yugoslav forces might have removed military vehicles from the campaign. attack that has become a site before displaying the damage to international the alliance and in which journalists last Thursday. and hinted that the Serbs may have attacked some ref-

The admission that Nato might have hit civilians in with cockpit videos, by a Djakovica, last Wednesday.

tary trucks. It added it could senior US air force comof the most difficult five they were convinced were days so far for the western alliance in the four-week-old

> Nato's attempts to apologise for the incident and to put it behind it have been hampered by its confused and often contradictory explanations.

Brigadier-General Daniel responsibility for this inci-Leaf confirmed that Nato dent. said yesterday it was F-16 bombers were involved of Djakovica came in a in two separate attacks, military but that "collateral" detailed briefing, illustrated north-west and south-east of damage

In the first F-16 bombers not be certain of the extent mander. It came at the end hit a three-vehicle convoy Nato jets, including one also trol and communications involved in the attack north-west of town, had later responsible for setting fire to launched several attacks on homes and villages in the a "yery large convoy" southarea, and stationary vehicles east of Djakovica. This was in the middle of a complex of the location to which the buildings. Damage from this Yugoslav authorities attack was shown on Serb escorted international jourtelevision on Wednesday nalists on Thursday.

Nato, which has admitted Brig Gen Leaf said the convey of 20 vehicles, uniform in shape and colour. convinced the targets were with regular distances between them, hore the hallmight have

Brig Gen Leaf added that An airborne command, conplane had also signalled that it was an army convoy. Nato jets made several

attacks with laser-guided bombs from 12.18 GMT. Attacks were suspended at 13.00 when questions were raised about the identity of

the convoy. Spotter aircraft were called in and the attack called off.

"We may well have caused damage to a civilian vehicle and unintentional harm to civilian lives," Gen Leaf

Conflict

disrupts

supplies

The Kosovo crisis has

devastated agriculture in the

far-reaching consequences for food supplies both locally

As well as the immediate

problems of feeding refugees,

fighting in Kosovo has

restricted crop planting

since last autumn. Accord-

ing to the United Nations

Food and Agriculture Organ-

1998-99 wheat crop, which

provides about 300,000

Nato bombing has also dis-

rupted the trade in frozen

raspberries. Serbia is one of

suppliers of the fruit, which

is frozen and exported to

food manufacturers for mak

ing jam, yoghurt and ples.

About 100,000 hectares of

Kosovo's maize, 25,000 hect-

ares of vegetables and 30,000

hectares of other crops nor-

mally planted in March and

April have been lost as a

"A large amount of farm-

ing equipment has been

looted or destroyed." the

FAO said. "Huge losses of

livestock due to violence.

disease and abandonment

Meanwhile, fruit traders

say European frozen rasp-

Although the fruit is still

available. Nato bombings

shipping from Serbia to the

UK had risen from DM7.200

Prices of Serbian frozen

raspberries have risen

slightly to about DM3.10 a

kilogram, but traders say

The Federal Republic of

Yugoslavia produced 40,000

year, the third biggest crop

figures, writes Robert

Gross industrial output

grew by 5.3 per cent year-on-

year during February, a fall

from the 7.2 per cent growth

Industrial production grew

whole of 1998, according to

preliminary figures also

released yesterday, against

Wright in Budapes

supplies are held up.

(€7,700, \$4,000) to DMS,500.

result of fighting.

are also reported.

tonnes, has been missed.

and across Europe

food

fuel supplies make the oil run out However, while there is

ways to cut

Nato military planners are studying ways of choking off Yugoslav forces, amid concerns that continuing oil act, there are differences. deliveries by sea could undermine the effectiveness of the alliance's bombing

The alliance says its air attacks have already destroyed 70 per cent of Yugoslavia's fuel stocks and disabled both its refineries. Officials say there is evidence that Serb troop movements have been curtailed to preserve precious fuel.

But there has been mounting irritation over the past week that although fuel deliveries along the Danube river have been cut off, Yugoslavia is still receiving refined fuel through the port and Romania. of Bar in Montenegro.

ambassadors Nato instructed the military command late last week to look at ways of cutting off supplies. These might stretch from stopping and searching ships, turning away those carrying fuel, to stopping all ships from landing or even attacking port facilities. isation (FAO), Kosovo's

"Our military authorities are looking at what the options are to screw the top down further," said Jamie Shea, Nato spokesman. "We

"France has adopted a legalistic position," said one Nato diplomat: . France came out yesterday against a full oil embargo on Yugoslavia but said it favoured a restrictive policy that would control and mon-

understood to be broad

agreement among Nato

over what should be done

France is understood to be keen for Nato to find a firm

legal basis for any action

involving searching or block

itor the flow. At the same time it proposed the EU should act in consultation with Yugoslavia's neigh-Strategy towards vessels

carrying fuel supplies to ports in Montenegro. appeared to be equally sensitive in Paris. President Jacques Chirac is against Nato bombing of Montenegro for fear it could destabilise the country's efforts to distance

are going to do whatever we without backing from a within the existing United Nations resolution.

for forecas

France said it was important to avoid measures that could enlarge the conflict. It added that the legal basis of an oil embargo was dubious

Serbs draw on all their experience of hard times

Yugoslavia may be able to survive long on a war footing, writes Guy Dinmore in Belgrade

n the flatlands of central Serbia many farmers have discarded their tractors for lack of diesel and have hitched up borses and cattle to their ploughs. Where there is no livestock, peas-ants are tilling their fields by hand.

Nato's bombing is taking its toll on Yugoslavia's economy, which was already showing signs of slipping back into recession before the offensive began.

Yet sugar, milk and Italian cooking oil fill the shelves in Belgrade's state-run C-Market stores. To the surprise of many, basic foodstuffs are now in better supply than before the air strikes began nearly four weeks ago. And some economists believe the country can probably survive longer on a war footing than many people think.

Yugoslavia was never fully industrialised and many urban Serbs still have one foot in the countryside with a small summer house and plot of land. Nato is steadily taking out bridges across the Danube, cutting off the richest farmland in the northern province of Vojvodina from the rest of Serbia, but the big cities can still rely on their immediate hinterland

pluses of food. No one is ble, triggering hyperinflation afraid of being hungry," said that ran into billions of per not to be named, noting that central bank is committed to even economic statistics are an official secret under the state of war declared by the

fell, economists estimated but only by about 12 per agricultural output would fall by up to 20 per cent imposed during the 1992-95 Bosnian war - are expected workers were paid largely in

Stefan Wagstyl in London

\$450m deal with the Interna-

tional Monetary Fund in the

concern about the country's

ing to Christian Popa, vicegovernor of the National

The deal, which appears to

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GERMANY:

SWEDEN



Life under sanctions, when almost total trade embargo. has given the government of President Slobodan Milosevic plenty of crisis experikeeping the dinar and prices stable, even at the risk of deflation. The dinar has slipped in value on the black market over the past month,

Most state workers this because of a shortage of fermonth will only receive tiliser, caused in turn by a about half their salaries. lack of hard currency to pay Payments of pensions are for imported gas to make it. several months behind. "But The bombing on Sunday of a as long as the bombs keep petrochemicals complex in falling, no one will protest, Pancevo will make matters one banker said. "By keepworse, but farmers - as they ing silent we support Milosdid during sanctions evic, but what can we do?" Under sanctions many

impact of the Kosovo crisis.

much-feared default on its

Mr Popa said \$315m of the

help ease months of investor IMF money would be dis- the country would be

bursed this year and pave

Bank loan, agreed in princi-

said its lending to Romania

Romania is set to seal a will help Romania avoid a

economic stability, accord- the way for a \$250m World

kind. Doctors at state hospitals turned autopsy tables Yugoslavia was under an up sides of pork for their staff. With thousands now out of work after the bombing of the Zastava car plant and other factories, the expeence. In 1993 Belgrade tried rience gained during that 'We've always had sur- to print its way out of trou- period is likely to be widely drawn on.

The government of former one economist, who asked cent. Now, bankers say, the communists is using the crisis to centralise the economy further. Directors of key industries hold cabinet positions. The long discussed amalgamation of 22 banks the command of Borka Vucic, the head of Beogradska Bank who for years managed the regime's hard currency reserves in offshore

> accounts. Vojislav Seseli, head of the ultra-nationalist Serbian Radical party and a deputy minister, has suggested the government should collect war damages

amounted to a default.

The IMF has previously in the region had agreed to

But Mr Popa said Romania

had managed to reach a deal

with the IMF under which

requested to secure fresh fin-

lend Romania \$150m-\$200m

IMF likely to sign \$450m deal with Romania

international bonds, which which is in much better eco-

tory". This would include the assets of Telecom Italia. Greece, paid about \$1bn in communications company. Economists warn, how-

choking the "grey" economy international observers - are berry prices are set to jump which accounts for more than a third of gross domestic product. Imported cigarettes are already bard to come by while oranges and hananes are absent from Belsmall private enterprises have already shut down.

Most damaging in the short term is the shortage of fuel. Hungary - Nato's newest member - has cut off supplies of oil to Yugoslavia by its state-run energy company MOL. Russian gas that transits Hungary has also heen shut down.

by "seizing the property of endeavouring to stop the of foreign investment, facing in Europe after the Russian hostile states on our terri- flow of gasoline from the years of economic hardship.

would in effect have nomic shape than Romania . Poland's industrial out-

but is more exposed to the

Rosovo crisis, is to ask the

international community for

\$300m in extra balance of

ancing from commercial minister, is to put the Chris Bobinski in Warsaw. creditors. He said a consor-request at a meeting with But economic growth is still

donors in Brussels today.

Muravey Radev, finance

He said the money was

Serb-controlled-half of Bosstrip of Adriatic coast - is

Traffic is thinner in Belgrade but it still has its rushhour gridlock. Smuggling ever, that if the central gov- channels that kept Serbia ernment goes too far with its moving during the sanctions desire to control then it risks - despite the presence of

being re-opened "Air raids alone cannot eradicate economic activity," one economist said.

But while Mr Milosevic bave disrupted transport. can call upon his nation to One trader said the cost of has finally gone ahead under grade's open markets. Many make even greater sacrifices during a time of war, it is less certain his regime will be able to prolong its grip on power once the conflict is over. Without some kind of "Marshall Plan" for reconstruction by the western powers - unlikely to be offered while the current government remains in office - Serbs fear their tonnes of raspberries last Nato peacekeepers are country will remain starved

put, which fell in the first

two months of this year,

grew by 22 per cent in March

compared with the previous

state statistical office. writes

expected to slow this year

required to help the country • Hungary yesterday GDP growth for the whole overcome disruption to announced slightly disapecton over cont.

compared with 1996.

month, according to the in January,

NEWS DIGEST

France reinforces its

NATO REQUESTS SURVEILLANCE HELP

aerial intelligence role France is reinforcing its role in providing aerial intelligence on Kosovo as a result of a request from Nato commanders. It will deploy two new types of drone in addition to a helicopter-borne system of radar surveillance within the the next week, General Jean-Pierre Kelche, head of the

French joint chiefs of staff, said yesterday. The equipment, to be operated by some of the 2,500 French troops stationed in Macedonia, will boost information on the location of concealed armour and artillery as well as movements by Serb regular and para-military

forces Inside Kosovo. Nato's request underlines its need to use all available means to pinpoint Serb military targets. Both drones are launched from mobile platforms and can overfity Kosovo, while the Horizon helicopter, which will operate from the Macedonian border, has a radar capable of probing 150km inside Kosovo. The French Hellos satellite system is pro-

viding high altitude battlefield information. France is raising the number of aircraft in the Nato operation to 73, the largest contingent after the US, Robert Graham, Paris

NO MORE RUSSIAN WARSHIPS

Yeltsin in sign of compromise

President Boris Yeltsin sald yesterday Russia would not allow the west to control Yugoslavia but in a sign of a compromise with Nato he said no more Russian warships would sail to the Adriatic Sea.

"Bill Clinton hopes to win, he hopes [Yugoslav President Slobodan Milosevicj will capitulate, give up the whole of Yugoslavia, make it America's protectorate," said Mr Yeltsin. "We will not allow this. This is a strategic place, the Balkans." In a more conciliatory vein, the president said Russia was ready to carry on acting as a go-between and would not send further warships to the Balkans region.

Russia, which stemly opposes Nato military action in Yugoslavia, has sent a small reconnaissance ship, the Liman, to the Adriatic and has kept several warships on standby. Charles Clover and Reuters, Moscow

GERMAN RESPONSE

Greens back away from Nato

Germany's Greens, the junior member of the "Red-Green" coalition of Social Democrats and environmentalists in Bonn, yesterday formally distanced themselves further from Nato policy in Yugolsavia, Increasing the strains on government policy in the region.

Antje Radcke, the Greens' co-leader, said after a meeting of leading members that the party would no longer support Nato strikes on civilian targets in Yugoslavia or bombing raids on Montenegro. She warned that opposition among Greens to the Nato campaign was hardening as the bombing continued without producing any obvious results. "It's increasingly dubious what Nato's air strikes are achieving," she said. Haig Simonian, Berlin

MACEDONIAN FACILITIES

Plea to expand camps

Humanitarian agencies yesterday urged the Macedonian government to allow the expansion of existing refugee camps and the construction of new camps for expected arrivals in the coming weeks. Existing refugee camps are full with about 45,000 ethnic Albanian refugees from Kosovo and there is no accommodation for new arrivals. according to aid workers.

The Macedonian government initially agreed to allow expansion of the existing camps but when the attempt was made to extend the Stankovac 1 camp, the authorities backed down after local farmers turned out in force to protest. Matej Vipotnik, Skopje

Swiss set to defend bank secrecy law

By William Hall in Zurich

have been settled earlier was conditional on the coun- for two years.

private offshore banking market, is today expected to make a robust defence against pressure from the European Union to relax its bank secrecy law.

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Lambert, ISSN 1148-2753. Commission
Paritaire No 678/8D. commitment to defend its bank secrecy law when he arrives in London today at the head of a Swiss banking delegation. Under this law, bankers can be jailed for disclosing information about

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Editor: Richard Lambert. cfo The Funancial
Times Limited, Number One Southwark
Bridge, London SE1 9HL. their customers. Mr Couchepin is expected to take a strong stand against attempts by the EU

main reasons for the coun- authorities," he said. try's success as a private banking centre.

Last year Mr Couchepin attempt by Switzerland's tra- reassurance that Switzerled the Swiss delegation that ditionally secretive bankers refused to join an OECD to market the country's drive to stamp out tax advantages as an offshore havens and harmful tax financial centre. It will be sure from the tax authorities competition.

guilt about bank secrecy. It and reflects the growing the line between criminal protects individual freedoms. competition for business, tax "evasion" and legal tax There is a tradition of discretion in this country and bank secrecy is part of the culture of individual treatment of bank customers, said Mr Couchepin.

"We absolutely agree that bank secrecy must not be president of the Swiss Bankused to protect criminal eleand the Organisation for ments and money launder light Switzerland's advanto harmonise tax legislation. tax will cause the interna-Economic Co-operation and ing. We have changed our tages such as its long Under the EU proposal, tional bond market to flee Development (OECD) to rules to allow authorities to tradition of political stabil- which Switzerland is being London.

force Switzerland to relax pursue these activities. Colity, strong currency, excel-the law, which many observ- laboration is working very lent technical infrastructure, will levy a standard 20 per ers believe is one of the well with the US and other and high quality banking cent withholding tax on Mr Couchepin's visit to

followed by visits to Madrid, "We have no feeling of Frankfurt and New York, especially in the area of private banking, where Switzerland traditionally excels.

The Swiss delegation. which includes Bruno Gch- also under growing pressure rig. Swiss National Bank from the EU to codirector, and Georg Krayer, operate in stemming any land shares many of the ers Association, will high- the EU's controversial plan

services. However, Swiss bankers

London marks the first are likely to be pressed for land's bank secrecy laws have not been watered down to appease the growing presof countries such as the US and Germany, which believe "avoidance" is blurred.

Switzerland, along with tax on a European level Liechtenstein, Andorra, Monaco and San Marino, is capital flight resulting from

interest payments, or report interest payments made to EU residents to the respective tax authorities. Switzerland already has a

35 per cent withholding tax, but it is not levied on nonresidents. The EU tax would apoly to all private EU resi-"We are not convinced

that it is economically rational to introduce this kind of when the rest of the world does not follow," said Mr Couchepin.

He stressed that Switzersame reservations as the UK, which is concerned the new



blong term

Jan.

wage reforms

grand in an interior 225 its

fini dicempence role

parties agreeing on the need

to cut Turkey's double-digit

inflation, the MHP has toned

trate on a reformist eco-

nomic programme. On priva-

tisation, suspended because

tion, the MHP says it will

make sell-offs more transpar-

state-owned enterprises,

including two banks.

its supporters.

ent. It promises to sell most

However, Dogu Ergil, an

independent liberal, said the

MHP's reformist pledges

would be limited in by the

need to distribute favours to

Some analysts argued that

the MHP's success had less

economic reform than with a

protest vote against squabbl-

ing and ineffectual politi-

cians. "The electorate above

all wants to make ends meet

and to see law and order.

and they don't really care

how this is achieved," said

Metin Heper, a political sci-

entist at Bilkent University

to do with foreign policy or

Ecevit expected to form coalition with nationalists drive

Bulent Ecevit, Turkey's caretaker prime minister. was yesterday expected to form a government with the Nationalist Action party (MHP), the far-right group that secured the second largest share of the vote in Sunday's general elections.

Turkey's political landscape was redrawn after nationalism replaced Islam as the main form of protest against mainstream party leaders, who all lost votes with the exception of Mr Ecevit. Virtue, the Islamist party, was demoted from largest to third largest party

Financial markets and foreign governments, meanwhile, tried to work out whether a combination of Mr Ecevit's Democratic Left and the MHP would hamper economic reform and further damage Turkey's strained relationship with the European Union. The Turkish stock market opened 5.76 per cent lower yesterday.

One European diplomat noted that Mr Ecevit was already enough of a nation-

to already poor relations with the EU.

Bahadir Kaleagasi, Brussels representative of Tusiad, the Turkish business confederation, said the EU should take a more strategic view after having humiliated Turkey by ranking its membership application beneath pean applicants, and mishandling Turkish feelings about Abdullah Ocalan, the PKK

Advocates of human rights and an improved political dialogue with moderate Kurds to end the guerrilla war in Turkey's mainly Kurdish south-east focused criticism on the likely new

"The number two party is a fascist party and the number one party has nothing in common with the left except its name," said Hüsnü the Human Rights Association. "An unlucky period is beginning for Turkey as both parties have tough but unrealistic solutions for the Kurdish issue," said Nazif Kaleli, deputy chairman of

a moderate Kurdish party. wife called "nicer people".

Mr Ecevit saw his share of
the vote jump to 21 per cent
from 14 per cent from 14 per cent, gaining support as a result of the capture and return to Turkey of Mr Ocalan, who is charges. Pressure to carry out a death sentence if he is convicted is likely to of corruption allegations increase as the MHP sees its against the previous coalimain duty to "fight against terrorism... the biggest first reyamp regulation to threat to our citizens' security, national unity, democracy and economic prog-

1960s as an anti-Communist, pan-Turkish group, says it is no longer fair to call it "extremist" or "fascist" because it has purged itself of extreme nationalista involved in political violence against leftists and Kurds. "We are fighting for our inte-gration with the world together with our traditions and our culture, like the Japanese," said Sait Gö, an MHP deputy for Konya, Turkey's most religious city.

But the party, born in the

Under Devlet Bahçeli, its leader for the past two years, the party has recruited what one new party member's

Urgency behind for jobs



never tire of advocating structural economic reforms as the most effective way to create jobs and revive the

What is less often discussed is why the ECB has a direct self-interest as an institution in urging governments to introduce such reforms An insight into this deeper

layer of ECB thinking was provided last week by one of the bank's six executive board members, Tommaso Padoa-Schioppa of Italy. Speaking one week after the ECB cut its main interest rate by half a percentage point to 2.5 per cent, he

the 1990s. noted widespread agreement among economists that "perverse incentives, direct and

1.1 1.6† 10.9 11.6 halladion (annual % change Trade (Ecu bo) 707.7 Current account balance 4.2 GDP growth (%) Over same quarter les

Nov 98

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schemes, overly tight employment rules and rigidiare the main obstacles to the creation of new jobs"

Feb 1999

However, he added that it was not easy to reduce unemployment quickly by means of structural reforms. Even the Netherlands and the UK, where such reforms have gone further than in. say, Germany and Italy, policies started in the 1980s did not translate into sustained lower unemployment until

Thus, even if Germany. Italy and other euro-zone governments take action this year to free up labour and

unsustainable pension incentives to business, euro- the anti-inflationary consen zone unemployment may not fall far below its current 10.5

Here lies the threat to the

ECB. Most European governments and societies accepted the need for long-term price stability, and an independent central bank to guarantee it, only after witnessing the corrosive effects of inflation in the 1970s and 1980s. That is why they established the ECB as possibly the world's most independent central bank, whose primary task is to suppress inflation

But what would happen if euro-zone unemployment were to remain stubbornly high at, say, 10 per cent for

sus among governments and societies survive, or would it reformed addicts, to an uncontrollable vearning for an inflationary fix? And how might that affect the ECB's

One possible answer, though Mr Padoa-Schioppa skirted it, is that the ECB's identity as an independent inflation-busting institution would be seriously undermined. Its prestige would be diminished, its future purpose uncertain.

Hence the urgency behind the repeated calls by ECB board members since April 8 for rapid structural reforms.

Euro forecast to strengthen in long term

Wim Duisenberg, president of the European Central Bank, yesterday shrugged off alarm about the euro's decline on foreign exchange markets since its January launch and predicted that "in the longer term" the single currency would strengthen rather than

Answering questions from the European Parliament's committee, Mr Duisenberg exchange rate regime "and not even a figure in the back of the mind that would cause us to be concerned" about

the euro. The ECB would have a problem only if the euro exchange rate moved to the extent of having "a significant upward impact on the rate of inflation," he

However, expectations of consumer price inflation in the 11-nation euro-zone this year had declined from 1.5 per cent at the beginning of 1999 to around 1.1 per

Mr Duisenberg's lack of slide from an early January peak of around \$1.20 to \$1.061 when the market in London closed yesterday showed how the creation of a large-scale single currency area has changed the rules of monetary manage-

ment in the European Union. He reassured worried MRPs that the impact of exchange rate changes on

Some of the euro's recent weakness and volatility reflected the crisis in Kosovo, while its decline against the British pound reflected higher UK interest rates.

Mr Duisenberg also monetary affairs sub- pointed out that currencies making up the suro had only stressed that the ECB had no started to strengthen late exchange rate target, no last year and it was "a laugh" to speak of it hitting "historic" lows just weaks after its launch.

> the euro was valued at the between April and July last Looking ahead, Mr Duisen-

berg said three factors should help the euro to

would slow at some point.

Mr Duisenberg said he concern about the euro's hoped the US sconomy would experience a "soft landing" and the suro's rise would "not be too fast".

The ECB's exchange rate policy was neither "benign por malign neglect" but "for the time being there is

the large, euro-area single market was far less than on individual EU countries previously.

Even after recent declines.

strengthen. These were the large US balance of payments deficit, public and private investments to the euro, and the prospect that US growth

Italy attempts to salvage reforms

Italy's leading politicians were yesterday trying to salvage the country's drive for political and institutional reform after a referendum on Sunday failed to end proportional representation. In a setback for attempts

to give future Italian governments more stability, the referendum failed by a narrow margin to achieve the quorum required for the poll to More than 20m Italians

took part in Sunday's referendum, some 49.6 per cent of the total number qualified to vote. However, more than 50 per cent was required for the result to be valid.

Of those that voted, around 90 per cent said they were in favour of the remaining element of proportional representation being scrapped and Italy moving towards a UK-style first-past-the-post system.

The referendum was seen as a unique opportunity for liament where their machithe public to push through nations frequently bring the reform process by popu- down governments. But lar vote, shifting Italy away from its legacy of 50 govern- the Communists, Greens and ments in more than half a moderate Christian Democentury. Romano Prodi, the crats - have long been president-delegate of the important pillars of govern-European Commission, led a ing coalitions, and any govchorus of reformers who erument that seeks to lamented that Italy had reform the system has faced failed to make a landmark difficulties.

change to its electoral sys tem by around 150,000 votes. "A page has not been

turned but there were millions and millions and millions that wanted change, he said in his home town of Bologna, "That isn't just nothing."

Massimo D'Alema, Italy's prime minister, committed his government to carry forward reforms that would create a bipolar system. But Massimo Cacciari, the mayor of Venice, was typical of reform-minded politicians in describing the referendum's outcome as a "hard and heavy heart-attack".

Under Haly's electoral law, some 75 per cent of seats to the chamber of deputies are elected on a first-past-thepost basis. The remaining 25 per cent are chosen by proportional representation.

Political reformers have long argued that the retention of proportional representation allows many small parties to gain seats in parthese small parties - such as



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The European Union said yesterday it would consult trading partners on reforming its controversial banana import regime but it might and tea-makers from Gertake until next January to find a solution.

The move came as the World Trade Organisation formally authorised the US to impose \$191.4m in trade sanctions on European Union goods as retaliation for the EU's failure to make its banana regime consistent with global trade rules.

WTO members were obliged to give the US approval for punitive tariffs following a ruling by a WTO panel that the EU's amended banana import arrangements not comply with earlier

Rita Hayes, US ambassa-dor to the WTO, said after the meeting of the WTO's dispute settlement body that retaliation was a last resort intended to push the EU to negotiate a WTO-consistent

apply to nine products tem in place by January. including lithographs, batteries and bath preparations from the UK, handbags from France and Italy, and coffee many - as soon as a solution

was found. Rod Abbott, EU ambassador to the WTO, said yesterday that the EU accepted the thrust of the panel report and intended to consult trading partners on an acceptable banana regime.

it would be very difficult to find a solution that satisfied all the competing interests the US and its five Latin American co-complainants. other Latin American banana producers, and the African, Caribbean and Pacific countries that are entitled to special preferences under the EU's Lomé Convention.

There could also be procedural delays due to this summer's elections for the European Parliament and the formation of a new European Commission, Mr The US was prepared to Abbott said, adding that the

lift the sanctions - which hope would be to have a sys-Brussels has not formally

decided whether to appeal against the panel report but. according to EU sources, 12 of the 15 member states are opposed, with only France, Spain and Portugal in favour. Mr Abbott said any appeal would be confined to technical legal questions and would not challenge the panel's central finding.

The EU is, however, planning to contest the US impo-However, he warned that sition of sanctions from March 3, when provisional measures were imposed requiring importers to post bonds to cover the 100 per cent duties. The EU has already brought a WTO complaint against the March 3 measures, which could go to a panel if consultations this week do not resolve the dispute.

Yesterday's WTO authorisation for sanctions was the second in the 51-year history of the WTO and its predeces sor, Gatt. In 1952 the Nether lands was allowed to impose quotas on imports of US

EU 'needs 8 months' Germans catching up on to end banana crisis UK biotechnology groups

By David Pilling. Pharmaceuticals Correspondent

Germany is threatening to overtake the UK as the European country with the highest number of biotechnology companies, as its push to kick-start the sector with government funds begins to pay dividends.

According to a report by Ernst & Young released today to coincide with the annual European Life Sciences conference in Amsterdam. Germany has 225 biotech companies, against 270 in the UK. Five years ago. Germany had almost no life science start-ups at all. France, traditionally plausible

Europe's second centre for

biotechnology, is a distant

third with 150 companies.

Behind it come Israel. Sweden. Switzerland and the Netherlands. The rise of the sector in Germany has so concerned the UK government that last week it set up a team of academics and entrepreneurs to find ways of protecting official funds.

Last year, the Department

The Directorate General of

Telecommunications has

placed no limit on the

number of licences it

will initially issue but

will not issue any more

group of licence holders

until 2004 to allow the first

JOINING THE WTO WITH ENTRY FOR CHINA INCREASINGLY LIKELY THIS YEAR, TAIPEI'S HOPES OF ACCESSION TO THE WORLD TRADE BODY ARE RISING

Number of German biotech companies

Source Einst & Young, BioCentury

of Trade and Industry sent an expert mission to Germany. Its report concluded that Bonn's aim of becoming Europe's biotechnology leader had matured from "an act of political bravado" to being "a good deal more

The catalyst in Germany has come from the Bioregio initiative, which allocated federal funding, and encouraged states to provide matching funds and soft loans to start-up companies. Venture capitalists are often able to triple or even

quadruple their initial investment by applying for has been rejuctant to help

time to get established.

Analysts expect the land-

based telecommunications

government-owned Chung

Hwa Telecom, to generate

low-tier wireless telephone

more interest than the

grants, though it is currently examining a series of mea- a critical mass in Germany, sures, such as tax breaks, says Robert Zegelaar, a part-

Backing from Bonn appears to have changed public attitudes in Germany. When Morphosys was founded in the mid-1990s, the Munich-based company picked a name without the word "gene" in it, so as not to prompt controversy.

Now, opinion polls show the public strongly supports biotech companies in the field of human health, seeing them as generators of well paid jobs and potential medical breakthroughs.

As a result, several prominent scientists from the Max Planck Institute and other universities have emulated their US colleagues by spinning out their research into companies.

Some, such as Patrick Băuerle, a leading academic/ entrepreneur who recently joined Micromet, based o Munich, have returned from the west coast of America to become involved

tional organisations or mem-

bership under names that

deny any national identity -

Taipei is applying to the

"The industry is reaching aimed at encouraging the ner at Atlas Venture, a strong backer of biotechnol-

ogy in Europe. But in some ways, Germany remains a distant second to the UK. Last month, Morphosys became the first biotech company to go public after a successful Neuer Markt listing. The UK has about 40 public biotech com-

Moreover, two British companies. Chiroscience and Vanguard, have received regulatory approval for their products, a local anaesthetic and a migraine pill respec-

tively. The most advanced Germany company is years away from that important landmark.

UK investor confidence has been so shaken by a series of scandals and mishaps that even news of the first product approvals has failed to wake things up. Several companies saw their share price drop by three-

Latin American * deal for Airbus

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie, the European consortium. announced a further success in Latin America yesterday. with the sale of 12 long hauf aircraft to Aerolineas Argentinas.

The Argentine carrier ordered 12 A340 aircraft. making it the first Latin: American airline to buy four-engined long-haul aircraft from Airbus Airbus would not disclose the value of the sale but the list price of the 12 aircraft is about

The order follows the decision last year by LanChile. the Chilean flag carrier, Tam of Brazil and Taca, a group of five Central American airlines, to buy up to 179 narrow-bodied short-hauf Airbus aircraft. Latin Americahad long been seen as the preserve of Boeing, Airbus's US rival.

Aerolineas Argentinas is buying six of Airbus's newly launched 300-seat A340-600 aircraft to replace its Boeing 747s. The remaining aircraft will be smaller A340-200s and A340-300s, which will start entering service this sum-

中記し

25.00

The airline said it planned to use the aircraft on services from Buenos Aires to Auckland, Sydney, Paris and Rome, David Cush, Aerolineas Argentina's chief operating officer, said: "The three different versions of the A340 provide us with the flexibility we need to meet varying demand on our ultra-long-haul routes. The A340-600 will provide us with the high capacity that we need to replace our Boeing 747 fleet.

The A340-600 competes with smaller versions of the 747 and with the twin-engined 777, Boeing's newest aircraft. Although the 777 has been well-received by airlines, Airbus has argued that many carriers and passengers prefer four-engined aircraft for long journeys.

Taiwan waits patiently in line behind China

By Mure Dickie In Talpei The biggest obstacle to

Taiwan's entry to the World Trade Organisation is a minor dispute over tariffs on certain cuts of Canadian beef and pork - and the objec-tions of a political rival that is not even a member of the global trade club.

China's insistence that it be allowed to join the WTO ahead of what it considers a international division at wayward province means the recent stalling of tion for Economic Research. Sino-US efforts to strike a deal on Beijing's entry has cast new doubt on Taiwan's decade-long accession effort.

Hopes remain that, despite the disappointments of Chinese Premier Zhu Rongji's visit to the US last week, its entry have reached agree-China will secure a place in

the WTO this year. But even if those hopes fade further. Beljing's widespread support among WTO members gives Taiwan little choice but to continue cutting tariffs. quietly canvassing for international support and hoping for the best.

"The politics of entry are beyond the control of the Taiwanese government," says Daniel Liu. head of the Taiwan's Chung-Hua Institu-"We have to wait for China."

Taiwan has already done much of the hard work of trade liberalisation. All but two of the 26 WTO members who requested bilateral negotiations on the terms of ment. Canada is holding out

Issue of telephone licences will boost liberalisation a prelude to membership.

operating licences for fixed line and wireless telephone systems by the end of this year as part of market iberalisation measures agreed by WTO members. Opening the island's telecom market is viewed as

over pre-accession favours Taiwan granted to the US for certain meat imports, but the sums involved are relatively small and a resolution

appears likely. The other hold-out is Hong Kong, which initialled a bilateral agreement with Taipei in 1997 and had resolved all queries on it by

late 1998. Hong Kong trade officials decline to explain why they have no plans to sign the agreement soon but they dismiss suggestions Beijing is involved, saying the former British colony has the final say in its deal-

placed to overcome Chinese opposition to its WTO entry. which must be approved by a consensus of members or by a two-thirds majority. Pressure from China has made Taiwan. Beijing's bitter rival since defeated ings with WTO applicants. Nationalist forces fied there Even without Hong Kong in 1949, a virtual diplomatic as a block. Taipei is poorly

WTO as a customs territory segment, dominated by the has not stopped Taiwan becoming the world's 14th largest trading power. It has, however, left the island of 21m people with much less clout than its powerful economy would otherwise allow it to command.

The idea that Beijing, as the legitimate government of all China, must have precedence was raised at the WTO's predecessor body, the General Agreement on Tariffs and Trade, in 1992. While some members voiced opposition, that position has since been widely accepted as an "understanding" in the

Exclusion from interna- cloudy world of trade diplo-

Taiwanese leaders from President Lee Teng-hui downwards try to counter that understanding by calling for all applications to be considered on their own merits. It is a position echoed by Washington, but there appears little chance the US will further test its rocky relations with Beljing by championing Taiwan's trade cause.

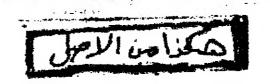
A more conciliatory approach may be reflected in recent suggestions by Taiwan that its WTO campaign could include a relaxation of the tight restrictions on trade with the mainland a policy Beijing would wel-

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US group shies from

Games de

US group shies from Games deal

By Patrick Harverson in London

The Olympic corruption of marketing at the SLOC, scandal has claimed its first said yesterday: "We are in sponsorship victim after negotiation with about 25 Johnson & Johnson con- companies and have found firmed it had abandoned they are still very receptive plans for a \$30m sponsorship to pursuing sponsorships." deal with the 2002 Winter He said the Olympic organis-

healthcare products group said it was not proceeding with the sponsorship partly because of allegations that Salt Lake City officials bribed members of the Inter- inducements to support Salt national Olympic Committee during the city's successful bid to host the games.

John McKeegan, a Johnson & Johnson spokesman, said while an internal disagreement about how to market the group's different in the back of brands during the Olympics was the main reason for not taking up the sponsorship, the corruption scandal also played a part in the decision. "It was always going to be in the back of people's minds,"

Johnson & Johnson is the first company to admit the scandal contributed to its withdrawal from the Olympics. The group has been involved with the Games for the resignation or expulsion several decades as a provider of 10 IOC members. Also, the involved with the Games for of products to US athletes. but had planned to step up its involvement and become a main sponsor of the US Olympic Committee (USOC).

The USOC and the Salt Lake Organising Committee from sponsors about \$300m to meet the \$1.45hn cost of putting on the games.

Mark Lewis; vice president Olympics in Salt Lake City. ers hoped to announce sev-The New Jersey-based eral new sponsors soon.

The scandal broke late last year when a senior IOC official claimed several IOC members had received money, gifts and other Lake City's bid for the 2002-

'It was always going to be people's minds'

Investigations revealed the city's bid committee had offered \$1.2m in cash, scholarships and other

The findings led to the from the Salt Lake City organising committee and IOC was forced to change its bidding procedures and initiate other internal reforms. -Despite damage done to

the Olympic movement by the bribery scandal, none of the 11 multinational corporations, which each pay the IOC about \$50m for the main worldwide Olympic sponsorship rights, has pulled out of backing the Games.

Although US officials have However, at least one admitted that some sponsors sponsor. John Hancock, US have been cautious about financial services group, has agreeing sponsorship deals suspended plans to acquire because of the scandal, they Olympics-related advertising remain confident about their time on US network TV

SOUTHERN CRUSADE APPEAL FOR RACES TO UNITE

Jackson trawls south to catch black vote

By Betty Liu in Waveland, Mississippi

On a cool morning yesterday about 30 residents, mostly black but some white, of the Mississippi town of Waveland trickled in through the creaky screen doors and grabbed a muffin or two as the reverend Jesse Jackson began his Southern Crusade

A few moments later the enduringly influential Mr Jackson, hair a bit greyed but frame still stordy, quietly implored the listeners to vote and fight for better healthcare, education, and a basic standard of living. Though the atmosphere was subdued, the message was the same: blacks and whites nomic security. And they must vote for the same leaders who will give that assur-

spreading the message of age. Racial divides often run economic unity and better too far and too deep for polit-

is to encourage blacks to regcrat. At the last congressional elections, in November, the Democrats succeeded in halting the Republican sweep of the South and reclaimed some of their old stamping grounds. Now the black vote is seen as central to the outcome of the next presidential election.

George W. Bush, the Texas governor and frontrumer for the Republican presidential nomination, has made a point of embracing black voters. His brother, Jeb, the done the same. Mr Jackson's brief inter-

lude in Waveland was a break in what has so far been a highly charged weekwater towns. Mississippi has the highest infant mortality rate in the country and the median income is a third Although Mr Jackson is less than the national aver-

"Thirty years ago the ister and then vote Demo- South was so intensely divided on issues [of race]. . and the right to vote that it couldn't address the economic issues of a unifying workforce," he says. For him, the people gath-

ering at his pit-stops mostly in black churches represent a new majority. He believes a unity of blacks and whites is forming against economic injustice a majority that, in time, threatens to muffle the poli tics of an older South built primarily on racial fears. He has, though, conspicu-

ground. Despite the friendly handshakes and compliments on Sunday morning at the Galloway United Methodist Church in Jackson, local newspapers reported congregation were upset that Mr Jackson was using the pulpit to preach politics. The former presidential candidate says his Southern did Mr Musgrove then

ously strayed on to enemy shared economic security and racial healing. A senior member of his entourage says Ronnie Musgrove, Mississippi's lieutenant governor and Demogovernorship, tried to stop the tour. Only when he real-

physically, Mr Jackson's highest-ranking state official to do so thus far.

Baptist Church in Jackson, that some members of the cratic candidate for the one of the first stops on the crusade, there were a series of colourful paper circles ised striking steelworkers taped to a hallway wall, strongly backed Mr Jackson arranged so that the circles formed the body of a cater-

"Developing Good Characterarrival in Natchez - the istics", children's names were scribbled on the circles personifying what each one neth, virtue; and Tyesha,

> They may be too young to vote, but the children listed qualities that many



Colombia to renew talks with guerrillas today

The Colombian government will renew talks with left-wing guerrilla leaders today in what may prove the last realistic chance of hammering out a specific agenda to end 35 years of fighting.

The meeting with leaders

the country's largest rebel group, ends a two-month to the guarrillas. deadlock after guerrillas unilate in January.

leaders decided to "freeze" the peace process until the government had shown "satisfactory results" in combating rightwing paramilitary

Forces of Colombia (Farc), groups which have mush- mated to have cost thou- withdrew all its military started on January 7, the roomed recently in response

laterally postponed the talks the two sides will make much progress, despite the On that occasion, Farc rebels' return to the table and government determination to agree on an agenda which will allow talks to begin in earnest. Ending the conflict - esti- November, the government

to power last August. In an unprecedented concession to the Farc last

two percentage points of

growth a year - has become

the main concern for Presi-

sands of lives and more than presence from five munici- rebels have made no menpalities - an area larger tion of a ceasefire during the There is little optimism gross domestic product than Switzerland - so that talks could go ahead. In contrast, the Farc,

dent Andrés Pastrana's which numbers 12,000-15,000 administration since it came and is now stronger than at any previous time in its 35 year history, has made no

Since talks officially

peace process or of laying event of a peace accord.

With just over two weeks before demilitarisation of the municipalities ends, analysts say the guerrillas will be

ability to raise all the money because of the bad publicity. Toronto hit by transport workers' strike

Striking workers shut down Toronto's public transport getting to work.

morning rush hour but pre-dictions of traffic chaos did train users resorted to car and walking to work.

Mike Harris, Ontario's prewould recall the provincial end to the strike within a cial election anticipated this spring, Mr Harris is widely spected to resolve the walk- have the revenue to meet ut quickly.

The strike is the latest. Most retailers and office xample of growing unrest appeared to be operating expected to resolve the walk-

cample of growing unrest tor, which for several years accepted tiny wage increases in exchange for job security. That enabled the country's federal and provincial gov-ernments to reduce their def-

icits quickly. But union militancy has increased as more governments announce their finances are in order.

system yesterday, forcing 'Toronto's 7,800 subway about 800,000 commuters to conductors, bus drivers and find alternative means of support staff, who have received a 1 per cent pay Traffic on Toronto's increase for the last seven streets was much heavier years, voted overwhelmingly than normal during the st the weekend to reject the transit commission's final offer. The union was seeking not materialise. Bus and a 3 per cent pay increase for each of the next three years. pooling, taking taxis, cycling while the commission had offered 2 per cent a year.

The commission collects mier, yesterday said he about 80 per cent of its revenues through fares, with the legislature to legislate an remaining 20 per cent coming from the city of Toronto. day or two. With a provin- But the mayor's refusal to the commission does not

> normally, yesterday. Canada's banks, headquartered in Toronto's central district. said they had implemented flexible work hours and were

E-mails to target party activists

Candidates in the race to win the nominations for ness year's US presidential election are being offered a service that will allow them to target e-mail advertisements directly at registered Democrats and Republicans. Aristotle Publishing, which specialises in providing internet services to polit ical organisations, is working with leading internet service providers to match names and addresses of users with state lists of registered Democrats and Republicans. The result will be a database that allows messages to be sent only to people with one party affiliation or the other.

Being able to target these people is especially useful as they are often motivated by the more extreme political ees, which if hmadeast generally could turn middle of the road voters against a candidate. "You want to get some red meat out there for the true believers," said John Phillips, Aristotle's president. His service allows candidates to do that without upsetting those with less

Mr Phillips said that campaigners using the service would never have access to personal information about were advertising. However the end result would be much the same, with political groups able to target registered voters of either party through a range of demo-

graphic indicators:

Mr. Phillips said that in
theory the service could allow advertisements to address each recipient by name. However, he added. no one wanted to do this for fear of frightening people off. Aristotle is able to offer dais service as it has created voters in the US. The service in particularly appealing to candidates in the early stages of a presidential campage as registered party supporters have the greatest initiaence over the primaries. Only about 30 per cent of voters are registered as supporters of one party or angiter but these tend to be the most active politically and, in some states, are the only voters allowed to take thought a failure because

part in primary elections.

Mr Phillips said he had

already signed up a number

of presidential campaigns for

the service, although he

added the internet was an

ideal medium to reach regis-

tered voters as athigh per-

centage of them were on

Circles of madness surround you. but you are perfectly calm. Controlling the chaos with the new HP Vectra PCs. The Vectra PC, running Windows NT* Workstation as a Windows 2000 Ready PC, uses award-winning TopTools management software to track countless PCs instantly. Upgrade drivers and BIOS remotely. And troubleshoot hiems before they occur. Which keeps crises, as well as costs, under control.

Leaving you free to concentrate on evenuthing else you have to do. PACKARD tAM/ 3COM* 10/1006T/ Microsoft* Windows NT Workstation/ Product No. 5881A/ £1.009** would not disclose which. Ne

Taxpayers field \$5bn sports bill

The major league ball parks. cost US taxpayers more than \$5.2bn since 1989 and will cost at least another \$9hn in study released by the Wash- for the best deals. ington-based Cate institute. The baseball Giapts moved

by generous offers of taxpay. use of a 40,000 50,000 seet staer-financed stadiums and diun. parks, benefits only players and team owners, who reap millions in TV revenues, the players were subject to cold study says. In this century more than \$20hn has been spent on homes for baseball, hockey teams.

stadium in New York and N.W., Washington, D.C. 20002

Wrigley Field in Chicago, and hockey's Maple Leaf Gardens in Toronto, Glevestadiums and arenas to land was the first city to which Americans flock have give corporate welfare to cost US taxoavers more than baseball by financing a manitapal stadion After that teams began to coming years, says to a hop from city to city, looking

The scramble for sports from New York to San Franteams by US cities, marked. cisen where they were given The \$32m facility was

winds blowing off San Francisco Bay. Sports Pork: The Costly Relafootball, basketball and tionship Bettoeen Major League Sports and Govern-

Before the Great Depres- ment. Available at http:// sion, stadiums were built www.cata.org/pubs/pas/pawith private funds. These 339es html or from Cato Instiincluded baseball's Yankee tute, 1000 Massachusetts Ane

EID KIA MOTORS

Ratings agency warns of risks of credit growth

By Robert Chote, Economics Editor, in Washington

A growing number of the world's financial systems are weakening in the face of excessive credit growth and falling asset prices, according to an analysis by credit America over the last two ble signs of weakness were become problematic, for othrating agency Standard &

ating in 24 of the 61 coun-

strength is a key concern of because of a modest decline international policymakers in domestic credit relative to in the wake of the crises in gross domestic product. Asia, Russia and Latin

United Arab Emirates have pines, Romania and the Slo- are under pressure because

Brazil, Colombia, Ireland, tries: China, Colombia, the mild," the report said. Credit quality is deterior- Latvia, Norway. Oman, Czech Republic, Hong Kong. Romania, Turkey and the Japan, Malaysia, the Philip- systems identified by S&P

financial system stress in since last autumn. But Chile vulnerable, including Brazil, October. Financial system has been taken off the list Greece. Turkey and the in their external position.

> fundamentals are so poor ing franchise value because The report said that visi- that half of their assets may the government is crowding now evident in nine coun- ers decline will be relatively

ble because of a marked shift Others show signs of wors-"Some of these systems' ening fundamentals or erodout private credit.

S&P looks at a number of leading indicators of finan-Most of the financial cial stress, focusing on credit growth, corporate and household indebtedness, credit rise relative to the size

institutions. But the indicators do not reflect other fachigh inflation, a history of deposits or reliance on flows of capital that are sensitive

to shifts in confidence. Many countries have seen

Pour countries debt initiative

As of Merch 1999

S&P, an increase of almost a all been added to the list of vak Republic. Other appar- of unsustainable aggregate asset-price inflation and of their economy over recent third since its last report on weakening financial systems are also credit growth or are vulnera- external funding of financial years. In the US, credit as a years. In the US, credit as a share of GDP has risen from 94.7 per cent in 1993 to 129.7 tors that can prompt a per cent in 1998, while in liquidity crisis, including Ireland the ratio has risen rigid exchange rate regimes, from 70.6 per cent to 102.7 per cent over the same confiscatory action on bank period. But these totals are modest in comparison with Thailand and Malaysia, where credit stands at about 160 per cent of

Nigeria set to

Breelst Marke Comme

military Nigeria's government is preparing to sack tens of thousands of civil servants, a development likely to lead to a showdown with the unions before the handover to the elected government next month.

A senior government official said yesterday that ministries and state companies had been asked to draw up lists of "dead wood" employees to be dismissed by the end of the month.

In practice, he said this could lead to the firing of up to 20 per cent of the public work force, or tens of thou-

sands of job losses. By way of an example, he said that out of 800 employees at the national planning commission, 452 were listed

for the sack. The government has no precise idea of the size of the civil service but estimates of the numbers on the federal

and state payrolls reach Once known for its respect of procedure and for providing continuity during military shake-ups, Nigeria's civil service is now bloated. demoralised and in desper-

ate need of reform. Civil servants can barely live on their tiny salaries, and often survive off bribes related to their functions, or earnings from other jobs, or trading. Sani Abacha, the

numbers last February. But his retrenchment programme was stalled when he died last June and Abdulsalami Abubakar took over.

late dictator, began reducing

Since then, the government has been heading for a clash with the unions after not implementing a promised salary increase of 300

Covernment officials say that only by cutting the work force severely, will any salary rise be possible. In several states, workers

went on strike last week demanding payment of salary arrears and implementation of a revised minimum wage of Naira 3,000 (\$32) a Soldiers have been drafted in to ensure continued sup-

Several states have threatforces, most dramatically in the northern Kano state. Here, the administration

said it would sack 17,000 workers if they were not back at work by yesterday.

The official intention of the government is to resolve these disputes, and cut the workforce to a more manageable size by the time Olusegun Obasanjo, the president-elect, takes over on

May 29. But with only six weeks to go before the official handgrowing, it seems likely that General Obasanjo will have to take on the unions early in his tenure.

The looming balance of payments crisis, and the depleted treasury he is likely to inherit, will leave him little room for manoeuvre in

Change of heart on debt relief for poor countries

With present policies under fire even within the World Bank and the IMF, the world's rich nations are welcoming new proposals for lifting the burden of international debt, writes Robert Chote

- due to get theirs between

But a document discussed

ing they were doing all they could to relieve the debt burdens of the world's \$3.1bn in net present value terms (i.e. if it were provided poorest nations, the Group of Seven leading industrial Uganda and Bolivia have countries have undergone a remarkable change of heart already received their relief, with the other five - Burover the last three months. kina Faso, Guyana, Ivory Spurred by a proposal from the new German govern-Coast Mozambique and Mali ment they have been falling over each other to proclaim now and March 2001, that debt relief should now be deeper, broader and fas-

This bidding war owes much to Jubilee 2000, an umbrella group of churches and other organisations that has used the approach of the millennium to campaign for uled debt service payments debt cancellation. As a after receiving HIPC assisresult, reform of the existing debt initiative for the 40 or so "highly indebted poor countries" (HIPCs) will be high on the agenda at next week's spring meetings of the World Bank and International Monetary Fund.

by the executive boards of week concedes that the initiative is less helpful than it

looks. "For the first seven countries to reach the decision point, estimated achedtance are not dramatically different from the actual debt service paid for the period prior to the decision

Debt service payments are relief has been delivered, but Looking at the G7's, plus

launched in autumn 1996. less elsewhere. Burkina Faso Seven countries have so far and Mali are actually expecqualified for relief worth ted to pay more. "In absolute \$3.1bn in net present value terms the initiative may not be significantly reducing as a one-off payment). debt service from current levels paid," the document

This is because many HIPCs are in arrears to other governments. So much of the relief will in effect be spent regularising relationships with creditors, rather than providing extra money the Bank and Fund last to spend. The Bank and Fund point out that this will still prove valuable over time as economic reforms boost government revenues. But most outsiders believe the existing initiative offers

Five G7 countries have now put forward proposals to improve the initiative, with lobby group Oxfam International judging that Canada has the most impresexpected to decline notice—sive proposal to provide ably in Guyana after the more relief, more quickly.

too little, too late.

multilateral organisations alleviation. and lobby groups, several

Debt relief should be deeper. The present initiative aims to reduce debt burdens to a "sustainable" level, defined as a debt-to-export ratio of about 200 per cent. But this figure was based on the experience of all developing countries, not just the poorest. A collapse in Uganda's export revenues, reflecting lower coffee prices, has prompted many target should be lower.

more fundamental critique argues that the initiative should focus on the extent to which debt servicing diverts government revenues from poverty alleviation measures. The existing initiative does provide a few countries with relief on fiscal grounds, but this was a political fix to ensure that Ivory Coast would benefit. Many observers would like fiscal considerations to take centre stage,

those of other countries, ceeds explicitly for poverty

There is also pressure to shorten the six-year policy track record that countries have to establish to qualify for relief, although the US may be reluctant. Germany also wants any increase in on efficient tax collection and debt management in the recipient countries. There is a consensus for

reform, but how will it be paid for when not even the existing scheme is fully financed yet? The current initiative is predicted to cost about \$16bn in net present value terms, although less than \$10bn in the likely and Sudan cannot qualify. Canada's proposal to lower the debt-to-export ratio, cut the length of the track record and broaden eligibility could add another

\$16.8bn, to take one example. There is now a consensus that some money should be provided by selling and reinvesting up to 10 per cent of the IMF's \$30bn gold reserves. The UK has also called for some of the Euro-

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Uganda	347	Арт 190
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Burking Faso	115	Apr 200
Guyana	253	02, 199
Cots d'Ivoire	345	Mer 200
Mozarabique	1,447	MEd 199
Mail	126	Dec 199
Sub-total	3,078	
Visible commitments has	ed on preliquinary HIPC decreas	ent issued
Guinea-Blesau	500	
Ethiopis**	636	
Meuritanie**	Zi	Spring 200
Total	4,295	

be diverted. But financing an expanded initiative would need more resources still, especially as the World Bank's finances are already stretched and those of several other multilateral devel-

Bigger donations from individual donor governments look unavoidable. Having raised expectations so enthusiastically over the last three months, other donors are now waiting with interest to see if the G7 is opment banks near breaking willing to put its money

Gadaffi brokers 'Congo peace'

Muammer Gadaffi, Libyan leader, has brokered a peace agreement between the Ugandan and Congolese presidents, aimed at ending the nine-month war in the Democratic Republic of Congo, Libyan state media said. But the Congolese rebels said they were not party to the deal and it was meaningless without them.

the deployment of an Afrithe withdrawal of foreign troops from Congo.

The Congo war now involves troops from Zimbabwe, Angola, Namibia and Chad fighting alongside President Kabila's Congolese army, against Rwanda. Uganda and rebels of the Congulese Rally for Democracy. Neither Rwanda nor

the RCD has signed the deal. role marks a further step towards strengthening his ties with sub-Saharan Afri- which the conflict is now can countries. Two months regarded as the source of ago he announced a shift in insecurity for all Central Libyan foreign policy, away Africa.

towards sub-Saharan Africa. The shift was regarded by

in Libya on Sunday which is intended to bring a ceasefire, can peacekeeping force and

regional analysts as having

the

been rooted in the apparent reluctance of Arab leaders to support Libya in its conflict with the US and the UK over the Lockerbie bombing. A decision in 1998 by African leaders to ignore an air embargo imposed on Libya by the UN was the catalyst

for an agreement on the Yoweri Museveni, presi- Lockerbie affair. The suspendent of Uganda, and Laurent sion of UN sanctions against Kabila, his Congolese counterpart, signed an agreement over on April 6 of two men over on April 6 of two men accused of planting the bomb, is expected to allow Col Gadaffi the opportunity to play a more active role in regional affairs. But the extent of the Libyan leader's influence as a

Congo war will be determined by the response of the non-signatories to the deal. Rwanda's backing of the RCD stems from its concern for the security of its western border with Congo. Uganda shares the same con-Nevertheless, Col Gadaffi's cern, but Mr Museveni's readiness to sign the deal has revealed the extent to

regional peacemaker in the

Machel tells of tragedy of Africa's child soldiers

More than 120,000 children, Africa's numerous wars. released yesterday at a conference in the Mozambican capital Maputo.

yaife of Nelson Mandela, adult troops.

Courth African president told Child soldiers are victims the meeting. "If adults want of cruelty and violence, but

didn't have enough wars and still needed to start conflicts

diers, says the government groups, and the length of armies of Angola, Burundi, time for which the conflicts Congo-Brazzaville, the Demsome as young as seven, are ocratic Republic of Congo, serving as soldiers in Liberia, Rwanda, Sierra resentative of the UN sec-Leone, Sudan and Uganda according to a report are guilty of recruiting children "almost as a matter of

the late Mozambican leader some are girls who are first

to kill each other it's their quickly become perpetrators responsibility, but we cannot as well, the report shows. In Africa can often be seen accept children killing for Algeria, for example, a manning roadside checkwoman described how some She commented bitterly on boys of about 12 who had the recent spread of conflicts helped massacre her fellowacross a continent "boiling" villagers decapitated a 15- children who are the first with warfare. "It's as if we year-old girl and played "catch" with her head.

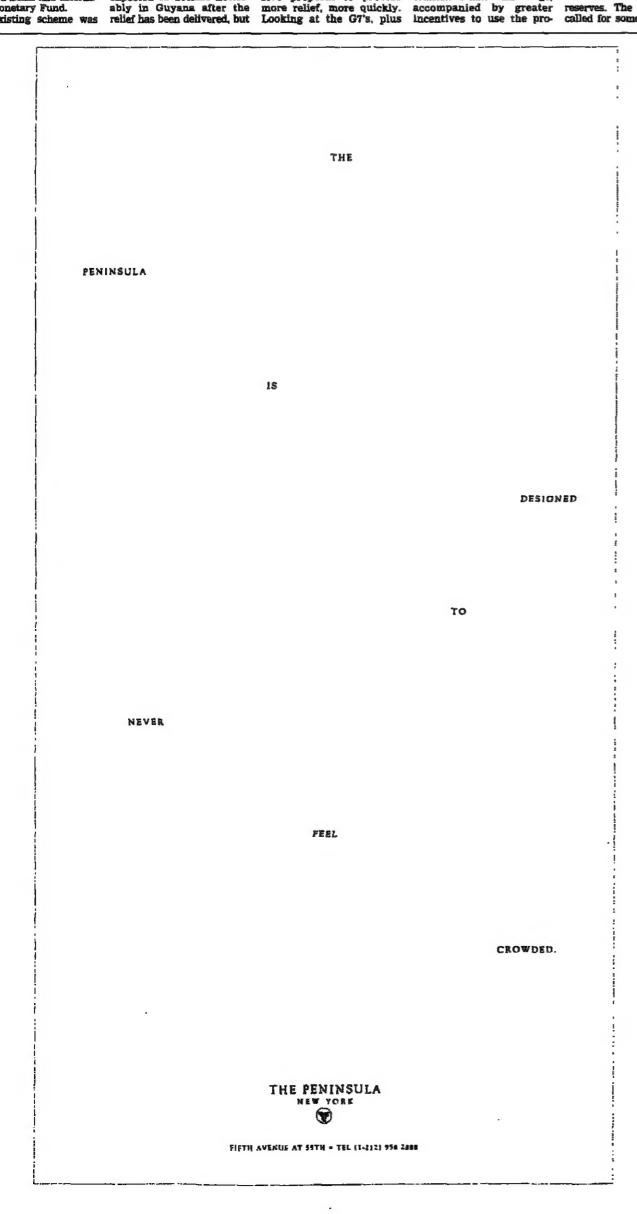
more bloody than the oth- timent with child soldiers thousands of children took also affected and there are behaviour. part in a long civil war, is thought to be about 300,000 now at peace and struggling soldiers worldwide below the war in the Congo, there is no to rehabilitate the former age of 18 - but the problem reason to engage young persoldiers into ordinary life. in Africa has been exacer-The report, published by bated by the fragmentary that society, who are innothe multinational Coalition nature of its civil wars, often cent and who should be in to Stop the Use of Child Sol- involving several rival

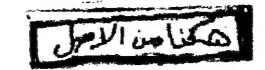
retary-general responsible for children affected by armed conflict, said that, in long-running wars, adults Rebel organisations also soon became distillusioned We have to tell our gov- abduct children from schools and armies resorted to chilernments and rebel groups and force them to join guer- dren to make up their numthat enough is enough," rilla armies as spies, helpers bers. Children were Graca Machel, children's and front-line soldiers. Most recruited for the most cynirights campaigner, widow of child fighters are boys, but cal of reasons: they are "easy to indoctrinate, easy to Samora Machel and now used as "girlfriends" by mould into a ruthless, unquestioning, efficient weapon of war"

As yesterday's report points out, child soldiers in points while adult troops stand well back "so that if bullets start flying, it is the victims".

Even if wars could not be Africa is not the only con- prevented or stopped, Mr Otunnu said, there should ers." Mozambique, where Asia and Latin America are still be limits to wartime

"Even if the midst of the





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Cut civil
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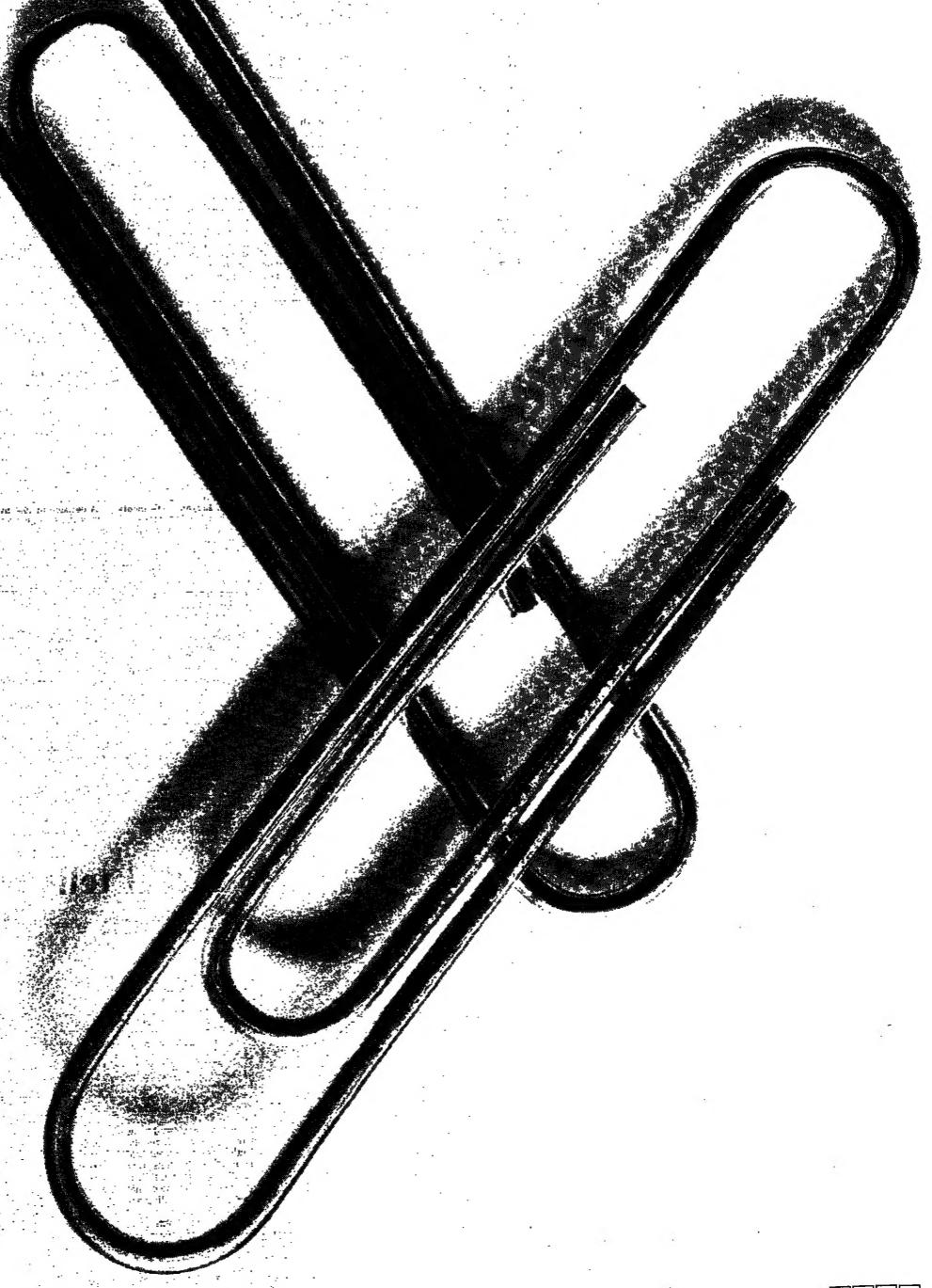
FINANCIAL TIMES TUESDAY APRIL 20 1999

A couple of pens. A pack of paper. Your bottom line.

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s child soldiers



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KPMGIt's time for clarity.

Japan faces delay over sale of LTCB

The Japanese government is experiencing "some delay" in its attempt to sell Long Term Credit Bank (LTCB). the recently nationalised bank, in a blow to Tokyo's push to resolve the country's banking-sector problems.

The admission yesterday by Takashi Anzai, LTCB president, suggests that the a politically controversial bank will not succeed in role finding a foreign or domestic but it before the end of that LTCB was experiencing April. as Mr Anzai had originally promised.

The sale of LTCB is considered a big test of the government's commitment to are," he said.

reform. The bank was the first to be nationalised last year as part of the Y60,000bn (\$508bn) financial reform package of Keizo Obuchi, the prime minister.

A long delay could also prove embarrassing for Goldman Sachs, the US investment bank appointed earlier attempts to sell its failed this year to find a buyer, the first time a western bank

Mr Anzai yesterday denied problems attracting foreign or domestic potential buyers. "I have been surprised by how many candidates there

The delay had occurred partly because LTCB wanted to ensure a "fair" competition between foreign and and partly because of a fresh domestic purchasers.

Government officials are keen to avoid a recurrence of the valuation disputes that have dogged South Korea's The LTCB delay threatens

to undermine the planned sale of Nippon Credit Bank (NCB). which was also nationalised last year. The Financial Reconstruction Commission (FRC), the body overseeing financial reform, initially hoped to select a financial adviser to start NCB's sale last month.

postponed, partly because of the delay in the LTCB sale would dissuade other westcontroversy among bankers and politicians over Gold-

Masao Nishimura, president of Industrial Bank of Japan, recently issued a strong public criticism of the tactics used by western banks in mergers and acquisitions, claiming that they "overcharge the clients".

man Sachs' role in the deal.

Keijchiro Asao, a member of the opposition Democratic party, is pressing LTCB to publish its confidential contract with Goldman Sachs. "This will be paid by taxpaypublished," he said. The FRC and LTCB have refused to do this, fearing it

ern banks from bidding for Goldman Sachs has been offered a large financial incentive to conclude a rapid sale The FRC fears that failure to do this could provoke

further political controversy

over the contract. Mr Anzai yesterday said that he was hoping to sell LTCB with assets of Y12.000bn, after almost Y5,000bn of clearly bad assets were removed to government institutions.

This process has been rational that it should be the bank will have to be broken up or sold at a sharp discount to find an independent buyer.

Mr Anzai said that one of "his priorities" was selling LTCB as a whole, to safeguard employee positions. He would be "flexible" in meeting a buyer's needs over other matters. "In the last resort, this is a business deal; it's about price," he

LTCB was initially estimated to be insolvent with about Y340bn worth of debts. Mr Anzai said that this figure had risen to about Y2,600bn, if the bank's value was calculated according to "fire sale" prices.

Beijing plans fuel tax to fund roads

By James Harding in Shanghal

China will introduce a fuel tax in the second half of this year to replace road maintenance fees, part of the government's programme to impose regular taxes in the place of random charges.

The fuel tax is intended to create a more orderly tax environment for business but the new duties could weigh heavily on China's oil and refinery industries as well as the automotive mar-

The fuel tax together with a vehicle purchase tax will fund the construction and maintenance of expressways, out "illegal and irrational charges", the state media has reported.

Some Chinese oil refineries are concerned the tax could widen the differential between more expensive domestic fuel and imported oil products. They fear it may stimulate the smuggling of oil products, which dealt their industry a severe blow in 1997-98.

Automotive manufacturers, frustrated by the slow growth of the domestic passenger car market and worried about the prospect of competition from cheaper imported cars when China finally enters the World Trade Organisation, also have reservations about new taxes that may add to consumer reluctance to buy a

The tax will be set at Rmh 1 (\$0.12) per litre of diesel and Rmb 1.2 (30.14) per litre of gasoline.

The cheaper rate for diesel aims to boost the use Reviers of heavy duty trucks and the newspaper said.

vehicles, the official China Daily Business Weekly said: Eliminating road fees is Warden Hatter Colors

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likely to be difficult, as many of the charges are levied by local authorities to lift flagging tax income. Implementing the new tax may be problematic as there is no collection system in place.

It will be hard to enforce taxes on many fuel users for example, ships, machinery and farm vehicles.

The rationalisation of the tax system, however, is essential to the government, particularly as Beijing pursues a programme of fiscal expansion to reflate the economy. China has forecast budget deficit of Rmb 150bn (\$18bn) this year, up 56 per cent from 1998, partly because of continuing infrastructure spending.

Chinese government revenues reached Rmb 232.4bn in the first quarter of this year, up 26.1 percent year-on-year, lifted in part by customs duties as imports rose strongly over the last three months, the state-owned Economic Daily has reported. Excluding debt and interest service payments a growing part of government spending - fiscal expenditure rose 17.5 per cent year-on-year

Car sales in China grew 10of this year compared with the same period of 1998, the official International Finance News reported yesterday. The growth to 117,000 sales outpaced the 7 per cent rise for all of last year, pointing to a slight recovery of China's automotive industry,

Howard to fly to Indonesia as East Timor alarm grows

By Gwen Robinson in Sydney

The Australian government yesterday signalled its growing alarm about escalating violence in East Timor with a sudden decision by John Howard, Australian prime minister, to visit Indonesia for talks with B.J. Habibie, the country's president.

Mr Howard said he would meet Mr Habibie within the next 10 days, probably on the Indonesian island of Bali, to discuss the deteriorating situation in East

Earlier, Mr Howard spoke with Mr Habibie by tele-phone to express "deep concern" about violence at the weekend in the troubled Island province that resulted in at least 30 deaths.

Mr Howard's plans for an emergency visit come amid

future of East Timor, a former Portuguese colony forcefully annexed by Indonesia

They also highlight Canberra's growing fear that the crisis in Kosovo is diverting international attention away from East Timor and growing instability in other parts of Indonesia ahead of the country's June national elec-

Australian officials said privately the biggest concern was the prospect of Indonesian archipelago, leaving neighbouring Australia to deal with the

Last month. Australia moved to double its number

a pivotal role in interna-tional negotiations over the deployment force" in the northern city of Darwin one of the closest points to

East Timor.

Mr Howard said the fact Mr Habibie agreed to meet at short notice indicated he understood and recognised Australia's concern as "very important"

He said: "I don't want anybody to be left in any doubt that we believe the situation has deteriorated sharply."

yet on the role of Indonesia's armed forces in East Timor, uncontrollable violence Mr Howard said that para-spreading throughout the military groups terrorising Timorese pro-independence campaigners appeared to be acting with the tacit

in Australia that the armed forces were not working to contain violence in East

Mr Habibie "did not dissent" from that view. Mr Howard said.

Australian officials have privately said that intellience reports suggest that Indonesian troops are supplying pro-Jakarta paramilitia with arms to foment violence ahead of talks at the United Nations in New

The talks with Portugal, the next round of which is on Thursday, are intended to set the framework for a vote on the future of East Timor following Mr Habibie's offer of autonomy or full independence by Janu-



ADB urges Asia push to speed open trading and secure prosperity fall 5%

must become more aggressive in pushing for an open trade system if they are to secure growth and prosperity in the medium term, the Asian Development Bank (ADB) says today.

A modest recovery is expected for 1999 with the recession ending in southeast Asia and the newly industrialising economies of Hong Kong, Singapore, Taiwan and South Korea. Across developing Asia as

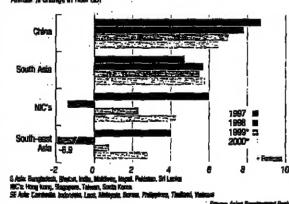
a whole, growth should accelerate to 4.4 per cent from 2.6 per cent in 1996, the bank says in its annual Development Outlook. But while sections of the

report hint at sympathy for curbs on capital account transactions, the bank says Asian developing countries "must not flinch from their commitment to openness, in trade if longer term recov-

ery is to be secured. The report urges them to take a "pro-active" common position in the new round of multilateral trade negotiations, expected to be launched at a World Trade Organisation meeting in the US this autumn.

This would include insistence on further tariff reductions for manufactured goods and a controversial call for an end to regional rade arrangements such as those operated by the European Union with the countries of eastern Europe, the North American Free Trade Agreement (Nasta) and Mercosur in South America.

Trade preferences under such regional arrangements have bad "a large and increasing effect on trade diversion" at the expense of Asia and have distorted flows of foreign direct investcall for a clause requiring trade preferences granted within such arrangements to



members within ten years. If the industrial countries continue to insist on negotiating a multilateral agreement on investment, Asian developing countries should demand that such an agreement also include China and be negotiated in return for a multilateral agreement on labour mobility, the report says. The implication is that China must be made a mem-

Modest recovery seen in 1999 with recession ending in south-east Asia

ber of the WTO before nego tiations on investment are launched within that body. The report said such coun-

tries as India and China which had maintained restrictions on capital account transactions had not been engulfed by the financial crisis that hit the rest of mean countries which had a high degree of convertibility should close their capital accounts, but they may wish to introduce some "friction" in financial flows, for example by imposing taxes on short term flows.

tries should aim for integration into the international financial system, this should not imply a reckless rush to capital account convertibil-

ity," the bank said. In an analysis of the debate on reform of the world financial architecture, bank expressed support for the idea of revision of international bond contracts to allow for more orderly debt restructuring, Industrial countries should take

the lead in this area, it said. A network of private sector credit lines backed up by multilateral guarantees would also help protect developing countries against contagious financial market

be further discussed at the lMF's spring meeting in Washington this week. would help reduce risk of future financial crisis without requiring a new bureaucracy or large investment of

public funds, it says. The report is more ambiv-Asia in 1997. That did not alent on the idea of an official Asian Monetary Fund. though its analysis expresses sympathy with the idea that such a fund could complement the International Monetary Fund in providing funds to crisis-affected countries and in developing an early warning system.

China's exports

By Peter Montagnon

China's exports are expected and recover by only 1.9 per cent in 2000 as the country's manufacturers struggle with a weak external environment, the Asian Develop-

ment Bank warns today. The bank makes no mention of the debate over devalnation in China, but admits currency factors are one reason for its bleak forecast. Top Chinese officials have repeatedly rejected the devaluation option.

The substantial deprecia tion of many Asian currencies "may eventually erode the competitiveness" of Chinese exports, the bank says. About 30 per cent of Chinese exports compete directly with products produced elsewhere in the

More generally the Asian regional economic crisis will continue to damp demand for China's exports as about 60 per cent of the total are shipped to the region, it

China will begin importing more from the rest of Asia as efforts to stimulate domestic demand begin to bear fruit. the bank says.

China's current account balance of payments surplus will fall to just 1 per cent of gross domestic product this year from 2.5 per cent in 1998. Next year it will almost disappear, ending up at a mere 0.5 per cent of GDP, the bank warns.

Other Asian economies are likely to have a much better

Taiwan's exports will rebound 9.5 per cent in value after falling by a similar amount in 1998. Export growth in the Philippines will remain high at 13 per cent compared with 16.9 per

But Hong Kong will recover much more slowly. Its exports will grow only 0.5 per cent this year after falling 7.5 per cent in 1998.

Manila market bounces back

By Tony Tassell in Menila

Interest rates and the stock market in the Philippines by one percentage point. yesterday returned to the levels seen before the onset of the Asian economic crisis. On the birthday of Joseph Estrada, the Philippine presirally after the nickname for the movie star turned politician, Manila shares rose

sharply in response to bigger-than-expected cuts in interest rates by the Philippine central bank. The benchmark PSE 30 Index leapt 122 points or 5.5 per cent to 2,355, its highest level since late August 1997,

after the central bank made

rates this year and cut the minimum liquidity requirement for commercial banks

The 50 basis points cut in the central bank's overnight the average yield bit 10,356 borrowing rate to 10.875 per per cent on June 23 1997, just dent, in what has already aimed at stimulating the tum. been dubbed the "Erap" country's still-subdued econ- At the a pick-up in currently depressed loan growth.

The Philippine stock market, in contrast, has now low of 1.082 on September 11

Matthew Sutherland, head of research at Paribas Asia Equity, said the falls in interest rates have been an important factor behind the

This is the lowest since

cent and the reduction in before the regional crisis liquidity requirements were started to gather momenomy, by further encouraging 10-year US dollar denominated Philippine government bonds have dropped to 8.4

per cent from about 15 per cent at the time of the Rusmore than doubled from a sian debt crisis late last

Joio Gonzales, strategist at

Merrill Lynch, said average

daily trading volumes had

Brokers say increased confidence also has driven the latest stock market rally.

average yield on the bench- cent from levels seen in Febmark 91-day treasury bills ruary and March to about has fallen to 10.361 per cent 1.4bn-1.5bn pesos (\$36.6m-\$39.2m).

The rally yesterday may also have had some assis-

In a country where the extent of the politics of by the expansive press coverage of the president's birthday, there was more than a little speculation about some politically inspired buying.

Although there has been some strong foreign buying, that some local brokers got together to help boost the market as a birthday present to 'Erap'," one broker said.

NDICATORS: PRICES AND COMPETITIVENESS UNITED STATES 103.2 108.5 113.9 100.2 101.9 104.9 108.4 108.7 108.0 105.4 102.6 101.5 101.8 102.3 105.1 106.3 111.9 114.0 115.4 116.2 115.9 115.6 117.4 118.3 107.8 114.0 120.1 124.2 125.6 125.6 128.4 132.5 136.8 139.7 138.0 110.1 113.1 118.0 125.3 139.0 148.1 152.4 159.4 163.3 165.5 168.2 109.9 107.5 109.9 107.5 110.0 111.3 109.8 714.7 109.9 104.8 121.5 126.6 130.4 134.3 137.8 141.7 145.8 149.2 1993 1994 1995 1996 1997 125,4 83.4 84.9 81.1 82.7 0.6 -0.1 0.7 -0.2 100.9 97.3 107.6 108.9 7.8 7.7 5.0 April 1998 82.7 83.1 84.4 85.2 86.2 83.3 80.5 81.2 81.5 80.9 82.6 84.8 -0.1 2.4 -0.4 -2.5 -0.5 -0.5 -0.4 -0.4 103.7 100.9 97.5 95.3 98.9 106.4 107.5 108.8 111.7 108.6 106.2 103.9 105.2 105.2 105.5 105.7 106.1 106.2 105.6 105.6 105.0 104.0 FRANCE ITALY UNITED KINGDOM 112.8 118.1 119.9 125.2 129.9 133.9 108.7 113.9 121.5 127.5 131.5 136.7 140.1 146.0 149.6 151.0 102.1 99.7 102.9 100.7 104.2 106.6 106.1 106.3 102.2 102.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 178.2 105.7 112.0 116.2 120.0 722.3 128.9 131.6 142.0 144.7 146.6 146.7 118.4 125.6 134.7 147.8 155.7 161.4 168.9 172.4 177.4 183.8 108.5 113.6 122.5 134.2 138.8 145.6 139.9 139.6 146.8 148.7 100.9 105.1 111.9 113.1 109.5 95.2 93.3 90.3 102.0 102.7 104.3 101.9 100.5 101.4 104.4 100.9 93.1 94.1 90.7 93.2 121.6 133.3 141.2 146.4 148.7 152.4 157.6 161.5 166.5 172.2 161.2 -0.3 -1.3 -2.3 2nd qtr.1996 3rd qtr.1998 2.4 2.1 2.0 101.9 102.0 1.8 1,8 1.6 0.6 -0.2 -1.2 3.1 2.8 2.6 4.0 3.3 3.0 4.6 4.6 3.7 4.1 3.8 2.4 112.5 4th qtr.1998 1st qtr.1999 111.7 107.4 103.1 102.1 106.0 105.8 April 1998 May 101.5 102.1 102.0 100.8 102.0 103.1 103.5 102.8 102.8 3.0 3.2 3.0 2.5 3.0 2.6 2.5 2.5 1.0 1.0 1.1 0.8 0.5 0.3 0.1 0.1 -0.1 0.2 0.5 114.4 June July August Septem October 110.4 112.7 112.9 111.9 110.2 107.2 107.0 106.8 106.0

Malaysia eyes floating global bond

Malaysia is studying proposals from international investment banks to help it raise money, as early signs of a turnaround in economic data prompt it to consider reviving plans it shelved last year to float a global bond.

finance minister, said yester- Malaysia to launch an issue. day the government was examining the international bond market for opportunities while it monitored bonds issued by other countries in the region.

He declined to give the names of investment banks that have put forward five or was not worth paying the Mustapa Mohamad, second six proposals and are urging premium then required.

Last year, Malaysia was forced to withdraw plans to raise funds in the clobal bond market for its economic recovery when international rating agencies downgraded the country and the authorities decided it

Malaysia has discouraged investors since the regional crisis began by imposing capital controls, blaming for eigners for its recession and declining to restructure its banking and corporate sec-

Instead, it has sought to rescue as many banks as it

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INSURANCE AGREEMENT BRINGS FUNDS THAT SUPPORT POLICIES TO \$1.2bn

Lloyd's in \$560m deal with top insurers

By Jim Kelly in London

Lloyd's of London said market's prospects. yesterday it had signed a market's policies.

Max Taylor, chairman, planned. said the participation of the insurers - each of which had to undertake extensive due diligence into the risk profile

of the world's top insurers to viders," he added, as it made cover its central mutualised it less likely the funds they pledged to the market would increasing to £800m the be needed. It should also resources that support the reduce members' contributions more quickly than

The insurers are Swiss Re, Employers Re. The St Paul XL Mid Ocean Re and Chubb sector, which was experience emphasises the committer risk unit at Lloyd's and Ben-

vote of confidence" in the between 1999 and 2003 - has "It also increases our £100m, an annual limit of to call upon up to £300m world insurance markets in five-year agreement with six attractiveness to capital pro- £350m and an aggregate from members of Lloyd's, that all underwriting memmaximum payment over a the cover takes the mutu- bers - both Names, the indifive-year period of £500m. alised funds to \$1.3bn viduals who have tradition-The premiums are to be dis- (£800m).

closed in annual accounts. Mr Taylor said the agreement was part of the strengthening of the mutual through the mutual central effect on the Lloyd's market the market's security and said the agreement was a cannot meet a claim. was not related to specific way of leveraging the asset Companies, Hannover Re, trends in the insurance of the central fund. "It cover was initiated by the gives Lloyd's an A and Stan-

With the existing central said.

BRITAIN

an annual excess point of fund of £175m and the ability

long-term strengthening of status of Lloyd's. Mr Taylor fund in case any one of them

Online trading

Lloyd's is unique among Aon.

of Lloyd's, - was a "huge Corp. The policy - effective ing adverse conditions, ment to mutualisation," he field Greig. The brokers were Benfield

> The extent of the cover taken on by each of the six is confidential. It is underally supported the market. tured to make sure claims The announcement is also and the new corporate invessuffered by the six insurers likely to be seen as a further tors - support each other could not have an adverse

The agreement provides further assurance for rating The design of the new agencies. AM Best currently dard & Poor's an A+.

NEWS DIGEST

THE ECONOMY

Interest rate cuts fail to boost consumer confidence

interest rate cuts and tax cuts offered in last month's national Budget failed to boost consumer confidence, according to a survey by GfK Great Britain on behalf of the European Commission. It found that consumer senti-ment was unchanged this month compared with March and remains positive. But personal financial confidence fell despite interest rate cuts and a 1p cut in the basic rate of . income tax announced in the Budget, which takes effect next year. However, consumers remain more optimistic about the state of their personal finances than they do

about the state of the economy as a whole. A majority of those expressing an opinion think the UK

economy will worsen over the next 12 months. But the number is getting smaller, with confidence in the general economic situation back at last summer's levels. Richard Adams, London

Land Rover plans rail link

BMW and its Land Rover division plan to Invest £40m. (\$64m) in a rail line linking its plant at Solihull, in the English midlands, with the national rail network. It is claimed the scheme would save more than 100,000 heavy truck movements a year. It would also allow Land Rover to rail freight more than 100,000 vehicles a year for export directly to continental European markets via the Channel tunnel between England and France, or to Southampton, on the English south coast, for shipment to the US and other overseas markets.

Components would be brought by rail directly to the assembly lines from plants as distant as BMW's main engine production facilities in Bavaria.

The terminal facilities and the 4km line, intended to connect with the West Coast main line near Birmingham International station, will require formal approval from the Department of Environment, Transport and the Regions. The project is almost certain to involve a public inquiry. John Griffiths, London

London Bomb

Responsibility claimed

A man claiming to represent Combat 18, a neo-Nazi organisation, yesterday said the group was responsible for planting the nail bomb in the London district of Brixton that injured 39 people on Saturday. Police said they had. received a call, but added that there was "no intelligence at this time to support this claim".

Alan Fry, head of the London police anti-terrorist branch. said detectives were studying closed-circuit television footage taken at the site of the bomb, Combat 18 - which takes its name from the alphabetical order of Adolf Hitter's initials - was formed in 1992 when extreme rightwingers split from the British National party, saying its leadership was too weak. It is believed to have about 80 members and extensive links with football hooligan gangs, pro-British "loyalist" terror groups in Northern Ireland and other



Information technology has made millionaires of young entrepreneurs. But, Robert Chote asks, is it the centrepiece of a new industrial revolution?

There are 10 entreprehave amassed fortunes of more than £5m (\$8m) trial revolution? Bradford de before their 30th birthdays.

They typify the young "techno-elite". Eight made puter, telecoms and internet cedent. For the past 200 other two are the producer and director of Lock. Stock ing sector in which the pace and Two Smoking Barrels, of innovation has been the trendy low-budget gang- extraordinarily rapid. ster movie that was one of the most successful British

The sight of people making so much money at so tender an age could be construed as further evidence tion again, telephones, transthat Britain is in the midst portation again, household of a new industrial revolution, comparable to that ances, broadcasting, textiles which transformed working and apparel, and medical lives and created fortunes in the 18th and 19th centuries. electronics revolution," he

Technological progress. notably in information technology and biotechnology. certainly appears to be movis creating business opportunities and encouraging inno- ics has slowed down." vation in other sectors from

But pervasive though neurs in Britain who these new areas are, do they really add up to an indus-Long. of the University of according to a recent survey. California at Berkeley, tant. points out that the current pace of technological their money from the com- advance is not without preservices industries. The years, he maintains, there has always been some lead-

> "The economy cycles able. through a number of leading Th sectors: textiles, transportation, construction, textiles again, watches and jewellery, telegraphs, construcutilities, household applicare - all before the micro-

"It will continue to cycle through different leading sectors in the future, long ing at an incredible pace. It after the pace of technological change in microelectron-

But he concedes that talk

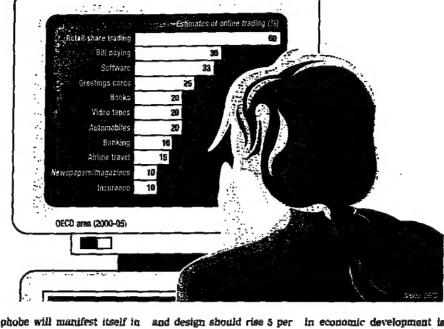
it produces. The familiar rules under which demand and supply determine prices work well in a market economy dominated by tangible goods but they are more difficult to apply when the production and distribution of

The growth of the internet has brought enormous entrepreneurial possibilities. although it remains to be seen if some of the fortunes it has generated for its commercial pioneers stand the test of time. The social impact, though, is indisput-

The number of internet users in the UK is expected to almost treble to 17m by the end of 2000. This will have important distributional consequences. Patrick Foley, group economic adviser at Lloyds Bank, has estimated that the pool of national income in the hands of the computer literate population will treble in the next decade, while technophobes will enjoy a rise of only 25 per cent.

"Whilst new technology will raise average living standards, it is also likely to result in an increasingly bipolar distribution of

income," Mr Foley says.



expects demand to rise for "people who are highly skilled, who exploit knowledge and intelligence rather than physical strength or dexterity, who are mostly well paid and who have high chances of being in work as long as they wish".

For example, they expect the number of associate professionals - the "new skilled" such as legal executives and computer programmers - to have increased from 2.6m in 1996 to 2.9m by

the labour market. Business cent a year over the same Strategies, the consultancy, period, almost twice as quickly as in the early 1990s. at least since Sumerians in

However, there is evidence

in a study from Manchester's Centre for Research on Inno- form financial records on to vation and Competition that clay tablets 5.000 years small, innovative firms do back," he explains. not generate many jobs.

don School of Economics, mists and historians are still who has pioneered the concept of the "weightless econ-

Quah, professor at the Lon- place all the time. Econo-

So in looking at the experience of individual people be potential for greater and firms in the "technoinequality has also been elite", it is as well to rememidentified by Danny ber that innovation takes arguing about the first industrial revolution; we

nothing new. "Economies

have been knowledge-based

the Mesopotamian river

basin began carving cunei-

the delivery of medical of a "new" economy may be international far-right organisations.
Its slogan is "White Revolution is the Only Solution". cannot expect to know the advice and retailing, to the justified because of the cen-This division between 2001. The number of people He says the importance of significance of today's for distribution of music. technophile and techno-working in media, culture tral role of information in knowledge and information many years. Simon Buckby and Sathnam Sanghera, London WHEN YOU FIND YOURSELF IN A PREDICAMENT LIKE THIS, THERE ARE CERTAIN THINGS YOU NEED A hedge trimmer. Sometimes the right answer is deceptively simple. No matter how basic or complex your information COMPUWARE. technology problems, we can resolve them, just like we do for four out of five of the world's largest companies. We never stop asking what do you need most? People and software for business applications:



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r plans rall link

*London talks fail to lift Ireland arms deadlock

Five hours of talks between Northern Ireland's main political parties in London yesterday failed to achieve a breakthrough in the deadlock over disarmament by

But all the parties did agree to attend a new round of negotiations next week I am not asking either side and ruled out putting the to concede totally their posipeace process on hold until tion," he said.

ister, said: "All the parties tion of 'parking' the process. Nobody is walking away from this process. Six months of delay would cre-ate a vacuum when what we need to happen is for the talks to continue."

No venue has been set for next week's talks, which

and Bertie Ahern, his Irish counterpart who will talk to parties individually, not at round table negotiations.

urged both republicans and pro-British unionists to make concessions in the arms dispute. "I don't expect either side

expect either side to win all. David Trimble, leader of

A spokesman for Tony the Ulster Unionists and the Blair, the British prime min- province's first ministerdesignate, wants the Irish Republican Army to start handing in its weapons before Sinn Fein, its political wing, takes seats on the new power-sharing executive.

Sinn Féin says this is not a Good Friday peace agreement and insists it is not in

Sinn Fein said the peace



remain convinced that probbeen solved. Our view that the Good Friday agreement is in free fall rem Mitchel McLaughlin, its chairman.

Mr McLaughlin also described as "dead" a blueprint drawn up earlier this month by Mr Blair and Mr

Ahern, setting out a timelems remain. They have not table for decommissioning have to be faced up to. The and the establishment of the ruling executive. The prime minister's office

said that since the so-called Hillsborough declaration on a resolution, talk of it being dead or alive was irrel-

phy have to be worked out,"

The British and Irlah gov-ernments are eager to keep

the talks. I am quite sure

It's not as hard to do business in Eastern Europe as some people say. Just fold this page towards the West.

any the lge, rith, is ked bat

ELECTION CAMPAIGN LABOUR ATTACKS NATIONALISTS' PLAN

Scottish independence 'threatens 367,000 jobs' help Nato media war

Brown. chancellor of the exchequer, yesterday attacked the Scottish National party's policy of independence, warning it would put 367,000 jobs in Scotland at risk.

one-fifth of all jobs in Scotland were linked to trade with England, which is Scotand's biggest trading partner. They would be in danger if the SNP negotiated dance are a profitable tectio. independence after winning a majority in the Scottish parliamentary elections on sense by the SNP, John

Donald Dewar, the Labour leader in Scotland, backed up the attack in a speech to the Scottish Trades Union Congress in Glasgow, telling its annual conference that the SNP had nothing to offer workers engaged in UK Min-

yard, Marconi, the defence electronics specialist in Edinburgh, the Rosyth naval dockyard and the British army personnel office in

Glasgow. He said independence would create a black hole in He claimed that one-third Scotland's finances because of manufacturing jobs and revenue would fall short of expenditure and the deficit could only be filled by higher taxes. Labour believes attacks on

the SNP's policy of mo but Mr Brown's speech was ridiculed as economic non-Swinney, the deputy leader, said Mr Brown seemed to think it was impossible for one country to trade with another, even within the European single market.

The only jobs threatened by Scottish independence was Mr Brown's own job as

Yarrow, the Glasgow ship- his ambition to be prime minister, he said.

Mr Dewar also used his speech to reassure trade unionists about Labour's use of public-private partnerships in paying for hig capital projects in Scotland. He the unions and the local health authority on protecting jobs under the private finance initiative at the Law and Haremyres hospital project could be a model for nts in PFI schemes. The PFI sims to attract private cash to public sector infrastructure pro-

Labour hopes it has averted a day of damaging criticism of the PFI in a debate at the STUC conference tomorrow, after Mr Brown persuaded the STUC over the weekend to dilute its opposition to PFI in a

KOSOVO BLAIR'S PRESS CHIEF DISCUSSES STRATEGY IN BRUSSELS

Reinforcements sent to

The prime minister's office yesterday despatched reinforcements to Nato headquarters in Brussels, to help the alliance improve its presentation of the war in Kos-

Alastair Campbell, Tony Blair's combative press secretary, spent the day discussing plans for an improved media strategy.

who has foreign affairs expertise, has been assigned to Nato for the foreseeable future. Other government media experts could follow. Mr Campbell denied the

initiative was directly related to Nato's fumbled handling of the bombing of a refugee convoy in Kosovo last week. But he admitted that Nato's hard-pressed media team, which

Mr Campbell's arrival has not been greated with universal enthusiasm by some of the 700 journalists camped out at Nato headquarters. US journalists in particular have heard of his hard-

nosed approach to news management in London and fear facts could be lost in a welter of "spin".

arrive al with "a story", rather than simply delivering a factual account of events on the

Britain seems to be at the forafront of the new offensive but media spokesmen from the US and other European Union countries are expected. Jamie Shea, the London-born chief Nato spokesman, has had to bear

designed for peacetime a huge burden during the

His accessibility to journalists and frank speaking has won him many admirers but Mr Campbell clearly believes he needs back-up.

Mr Campbell said he had been asked to take an overview of Nato's media strategy "to look at ways of trying to co-ordinate, given you Nato spokesmen are are talking about all of us Julien Braithwaite, a press thought to have been being engaged in the same officer from Mr Blair's office advised by Mr Campbell to thing in different countries

Mr Campbell said he believed Mr Shea was doing a "brilliant job" but needed

said to have been particularly concerned at the perception of disunity which arose from different capitals giving different accounts of

Party leader needs to tread carefully over Thatcher legacy But after Lady Thatcher's terday, that the party "did Mir Hague, has, for example,

William Hague will mark the ex-premier's first poll win, but Conservative acceptance of her ideas is no longer universal. Robert Peston reports-

anniversary of Margaret Thatcher's epoch-shaping national election victory of 1979. But since the Conservative party leader is ditching one plank of Thatcherite ideology after another, it could turn out to be a truncated

While Mr Hague is singing her praises Peter Lilley, his deputy, will be a short walk away at London's exclusive Carlton Club - the temple of grand Conservatism - disreetly putting the boot in.

He will attempt to distance the Rab Butler lecture, in creetly putting the boot in.

filliam Hague will the party from the notion tonight give a speech that "free market principles" celebrating the 20th are applicable to education. are applicable to education, the state health service and other pillars of the welfare

> His speech will reflect Mr Lilley's personality, appear-ing both radical and ultra-orthodox at the same time. On one reading it is a bold repudiation of everything Baroness Thatcher held dear. On another, it is a simple reaffirmation of what the party has consistently practised in government but has recently been chary of admitting.

honour of the towering Con-servative politician of the middle of the century who reconciled his party to the welfare state that Labour

1950s until the advent of the benign influence of mar-Lady Thatcher were built on its explicit acceptance that universal state education, the state health service and a comprehensive system of social security protection were valuable and irreversible achievements of the post-war Labour government. Indeed, a senior Con-servative official said yester-day that spending on health and education had consistently risen faster under Conservative administrations than Labour.

victory the rhetoric of the not believe in the welfare party moved away from the moral obligation of the strong to support the weak, or the healthy to help the sick, and towards an obses-The Conservative party's sion with privatisation and electoral successes from the

> kets. Even Lady Thatcher baulked at wholesale privatisation of health or education. But there were more than enough gurus arguing publicly that the inevitable next phases would be the funding of health provision through private insurance and the allocation of education places through vouchers that could be cashed in state or private schools.

The impression was created, as Mr Lilley said yes-

Mr Hague has found from his national consultation of party sympathisers - and countless opinion polls -British people are profoundly attached to statefunded health and educa-

This unpopularity might be a price worth paying if the Conservatives could produce an efficient scheme to remodel the welfare state on private-sector lines. But Mr Lilley, in charge of the party's policy review, has concluded that such ideas may look compelling in theory but do not work in practice. So Alan Duncan, the health

been told to ditch the idea of extending tax breaks

But if market economics are no longer the panacea that the vast majority of for the public sector, what will fill the void? The new Conservative mantra is the importance of handing power back to local authorities, school governing bodies

and hospital trusts. Or putting it another way, the Conservatives are now converts to decentralisation. It is perhaps a little unfortunate that the most ardent centralising premier of recent history was Lady Thatcher. Mr Hague will need all his wily powers of flattery when drafting

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who is the right person to be

chairman with that chief

decision-making process?

executive.

INTERVIEW JULIAN OGILVIE THOMPSON

Chief with a mission to explain

Gillian O'Connor finds the head of South Africa's Anglo American mining group is courting friends and goodwill as he prepares for its listing on the London stock exchange

remarkably large, and wags autocratic empire builder. a finger at the tape recorder. His son Harry, reputed to be "Now look. We are in a transition phase. We will just have to explain it to the

The chairman of Anglo American, in London to prepare for the South African mining group's stock exchange listing, is trying to express why its management does not conform to the template of a FTSE 100

ship of the Oppenheimer empire, has holdings in De Beers, the diamond mining company, and Anglogoid, South Africa's biggest gold company, among many oth-

Next month Anglo will absorb Minorco, its offshore resources arm, as part of its switch of domicile and mar-

Ogilvie by Ernest Oppenheimer, son to be chief executive and Thompson arches his whose hero was Cecil hands, which are Rhodes, the freebooting, the image of his father but with more finesse, remains a grandfatherly figure in the background, Nicky Oppenheimer. Harry's son, is now

chairman of De Beers.

Mr Ogilvie Thompson, who is not tied to the family by blood or marriage, will continue to combine the roles of chairman and chief executive after Anglo moves to London. And the cross There is a lot to explain. shareholdings between Anglo American, the flag- Anglo and De Beers will remain for the foreseeable future.

> We believe it is right that the person who has driven the transition should continue to drive the group for the first few years," he says.

> "So the chairman and chief executive will be the same. But we intend to sepato see who is the right per-

but if the chairman pushes something, it tends to go through. We have never actually put anything to the vote in all the 42 years I have been here." The fingers bridle at the

pany has been run by people It has often been said that who tend to be friends or Anglo is run like a family become friends. This is not company. Will the new necessarily a bad thing. We board, which includes some trust each other and help each other if we can.

thought of a vote. "The com-

outside non-executive direc-The world has changed tors, mean changes in the and we are going to have to

'We have never actually put anything to the vote in all the 42 years I have been here'

company'," says Mr Oglivia Thompson. "It has not been run in the interests of the family shareholders alone. but in the interests of all

more of a collective decision focus and a timetable."

"It depends what you trim our sails to the wind a mean by 'run like a family bit - be tougher, more ruthless, cut out the dead wood in every sense. But it is not a case of flipping from one

system to another. "The existing movement will be slightly accelerated "Ernest took the decisions by our London listing. It will himself. Harry probably put not make us do many things rate the functions no later them to the executive com- we were not going to do frank explanation of how the than 2002. Then we will have mittee. Now it tends to be already. But it will add a Oppenheimer empire used will win over the London

Angle will own about 30 per cent of De Beers; De Beers about 40 per cent of Anglo; and the Oppenheimer family almost 10 per cent of Anglo. The cross-holdings worry UK investors.

Mr Ogilvie Thompson takes what looks like an airline ticket out of an inner pocket, tears it into neat piecas and deposits it in the ashtray.

"I cannot see the Anglo and De Beers stakes ever being untangled. Diamonds so that each of us could honis a good area for a broadly based mining company such as Anglo. And De Beers has always needed a counterweight to its diamond side. to protect it when the cycle turns down."

Outsiders complain that the structure of the Oppenheimer empire is complex and opaque. Has this been choice or necessity? And is it going to change? "It is not that we like complexity. Some of it was imposed by politics: the rest grew out of how you finance things."

....Mr. Ogilvie Thompson then launches into a remarkably its web of companies to stock market.

time when South African companies were parlaha.

"Harry used to say that the most important thing about De Beers was the thing we did not tell our shareholders about - the Russian diamond sales contract. If it had been published, the Russians would have broken it.

There was a bit of a problem once, so we put the contract through a third party, estly say that we did not have a contract."

The new Anglo promises to be a model of transparancy. But what is appropriate for Anglo is not necessar ily appropriate for De Beers. "De Beers is a trading business, not a production business. Why should we tell the market what's in our diamond stockpile? Do analysts expect a bank to disclose its trading book?"

The fingers arch patiently The man who persuaded the business to emigrate is certain reasoned explanation



INFORMATION TECHNOLOGY BRIEFS

'Watermark' keeps track of video use

A system that "watermarks" video electronically and tracks its use has been launched by New York-based Medialink Worldwide. The system can provide digital video monitoring and real-time broadcast tracking to the International broadcasting, programme syndication and advertising industries. TeleTrax uses technology developed by Lucent, of the US, to stamp video footage invisibly and indelibly with a unique identifying code when it is produced. transmitted, duplicated or

Receivers monitoring broadcast signals detect the code and relay information over the internet to Medialink's computer

broadcast.

Medialink sends the results, plus information identifying each station that has broadcast or transmitted any portion of the encoded video and the date, time and duration of use, to clients via the internet. As part of the service,

Medialink plans to build a monitoring network to ensure all TeleTrax-encoded broadcasts are detected. www.medialink.com

Cheaper way to set up shop

Setting up an electronic shop on the web used to require the often expensive help of a specialist !T contractor or web design house. But a relatively cheap and easy alternative is available to small and medium-sized businesses in the latest version of Dexterity's Actinic Catalog packaged software. Actinic Catalog 3, which costs 2349 plus VAT in the UK, runs on a standard PC with a

connection and requires a minimum 2Mb of hard disk apace on the web host. it provides a wide range of catalogue templates, supports online credit card processing systems including NetBanx, DataCash and WorldPay, and can be linked directly to

an order-processing system. Other features include the ability to calculate automatically delivery charges based on geography, weight and shipping method, "industrial-strength" encryption and the ability to run multiple catalogues from a single PC.

The truth about using a web site

A true measure of customers' experiences using an e-commerce site is the promise of Candle, the Santa Monica-based network integration and management software lalist. Candle claims its BA ServiceMonitor and eBA*ServiceNetwork will helo companies identify where their web sites are failing and losing existing or potential customers.

The software is designed to enable online businesses to measure service levels and user activity and help them adjust the design and structure of their web sites. Candle's software provides web managers with hard measurements of "round trip" response times.

Users can be tracked across geographies, access carriers and topologies. Reports include browsing

time, the path taken to navigate the site, and a breakdown of response time by client, network, server and individual parts (objects) on the page. A software starter-pack costs £1,247 in the UK. www.candle.com

Paul Taylor



TIM JACKSON ON THE WEB

Crest of web retailing

An online retailer offering digital versatile discs, is heading for a Nasdag listing which provides a snapshot of web retailing

As any surfer knows, you go faster in the water by riding a wave than by swimming anainst one.

This principle is true in business, too - but companies are likely to have the chance to ride two waves at once. A case in point is DVD Express, an online retailer based in Hollywood that filed papers with the Securities and Exchange Commission last week to go public on Nasdaq.

DVD Express is poised to benefit from the fast increase in internet-enabled home PCs, and the growing willingness of consumers to buy over the web. But the other wave the company is riding is an entirely new product.

Digital versatile discs (DVDs) look like standard compact discs but have far greater storage capacity. This means one DVD can store, for instance, a 135-minute movie with digital sound, dialogue in eight languages, and subtitles in 32 further languages. With players costing \$250 and better video quality. DVDs have a good chance of becoming the standard for distributing

digital content. Back in spring 1997, it required some vision to see this - for the new format had not been widely adopted, and few titles were available on DVD. But the good news was that no retailer had established a brand. So Michael Dubelko, a former Hollywood television executive, was entering a wide-open market when he launched a web site selling the new discs.

Two years later researchers say DVD video media sales will be \$661m this year, \$1.3bn next year

and \$2.9bn in 3001 - and installed DVD players will rise from 4.3m at the end of this year to 9m by the end of

2000. Better still are the demographics: 47 per cent of DVD owners have online iccess, 58 per cent research purchases online, and 40 per cent of them shop online. Visit dvdexpress.com, the

company's web site, and you

will find a store window

modelled closely on Amazon.com. You can find titles by search or browsing. Behind the site sits a technology platform built by Pandesic, an e-commerce joint venture between Intel and Germany's SAP, and an 8,000 sq ft warehouse in Hollywood. More than 40 per

cent of sales go outside the Like Amazon, DVD Express aims to be comprehensive in its coverage. But while there are millions of books in

print, DVD Express's public filing indicates that there are still only around 2,600 DVD titles available - so the job is a little easier.

DVD Express is a little unusual for a web business. Mr Dubelko owns 84 per cent of the company's stock, with the rest owned by GeoCapital, a venture capital fund based in New York, and the normal range of stock options for employees. directors and marketing partners. A month or so from now. Mr Dubelko will probably be worth hundreds of millions of dollars earned, perhaps, by his having funded the business, worked without salary for two years, guaranteed the company's \$3m credit line at Wells Fargo, and put in \$1.3m of his own money.

DVD Express's SEC registration statement, available at www.sec.gov provides a snapshot of web retailing today. The

(80 TO 80M UP, YOU ARE POSED TO BENEFIT FROM THE MULTI-BILLION DOLLAR MARKET IN SOMETHING NO ONE HAS SO FAR HEARD OF



\$800,000 in the last quarter of 1997 to \$8m a year later. Gross margins fell from 17.6 per cent to 10.8 per cent, even though Mr Dubelko's history allows the company to make a quarter of its cash purchases from studios directly instead of at

distributors. And marketing is a high and growing expense. In 1998, the company spent more than \$4m on marketing, of which \$3m went to AOL. Evidence of the power of having more than 15m users can be seen in the text of DVD Express's deal with AOL, filed with the SEC, which shows the Virginiabased online service owning warrants over 7 per cent of the company in addition to the cash revenues from the

So, there are clearly high risks attached to the high rewards. Prominent among them is the danger of being "amazoned" - of being forced to compete with the world's most powerful online retailing brand. Another risk is the

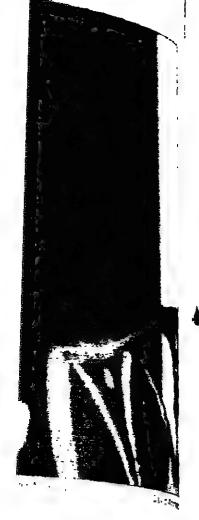
will-we-ever-make-mone question: DVD Express expresses the hope that margins should rise as some of the new entrants give up selling at a loss and close, but it is hard to know how long that will take. One industry insider was quoted as saying that DVD retailers were buying a title for \$18 which they sold for \$10.

Finally comes the risk of echnological change. Today, broadband internet access claims fewer than Im residential users. But as it weeps the US, more digital content will be delivered lectronically. DVD Express will have to build a franchise to avoid being sunk by a coming wave of electronic download.

tim.jackson@pobox.com

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THE STATE OF

High-tech insight into the brain

But the mystery behind the creation of a work of art remains, writes William Packer

Quite what the artist sees of the world, and how he renders his germ of this present exercise, in response and understanding into which Ocean has been filmed at began. Which is not to say that flicker of the eye - while working our enquiries should not con- from the model. It is a tool much tinue - and. If new technologies used nowadays in such things as out? The only thing is not to ergonomics of complex control shifted sideways, or turned

The artist looks, and thinks, decides and makes a mark. But is the mark achieved the one intended?

upside-down, is still a mystery. A small exhibition at the ment, to make comparison. National Portrait Gallery, technical for the most part but aug- as fascinating as it is inconclumented by a handful of relevant sive. The correlation of the movepaintings and altogether thor- ment and focus of the eye, as of the paper, and so back again. oughly absorbing, now addresses just this subject. Some years ago, John Tchalenko, a film-maker and scientist, trained his camera on the painter, Humphrey Ocean, even as Ocean went through the lengthy process of painting a double-portrait of him and his

in that mutual study lay the a work of art, are questions that length, wearing an eye-tracker have defled curlosity since art which registers the focus of every appear, then why not try them the training of pilots and the expect an answer. A mystery design but no one had thought of strapping it to an artist before. To follow, it was also thought a good idea to put him into an fMRI chamber - which is to say a functional Magnetic Resonance Imaging device - and have the electrical activity of his brain recorded while he made some drawings. We already knew Ocean as one of the more sensitive and intelligent painters of his generation, but clinical confirmation can only be reassuring. And of course non-artists were

> The analysis of all this data is registered by the tracker, to the But we are left no nearer an movement of the hand as caught answer to the greater question. on film, revealed a concentration of activity, even as the hand was ited, and a skill developed. hesitating or the eye checking Nature or nurture, or a bit of and re-checking, that the non-art- both: which is it to be? As Tchalist could hardly begin to match. enko wryly admits: "the more indeed, from the fMRI material it factual details I uncover about appears that quite different parts this process, the more mysterious

subjected to the same experi-



indeed remarkable to have the working visual process demonaccuracy of attention, as both eye and hand turn unerringly from square-millimetre on the surface

For an aptitude may be inher-

of the brain were engaged. It is the central act of creation appears." And Ocean himself hardly clarifies the issue: "At any atrated, as Tchalenko puis it, as given moment", he tells us in the "hundreds of eye-brain-hand-eye exhibition pamphlet, "I will start cycles, each lasting a few sec- with what I can see from where I onds", and mark the astonishing am. I try to achieve a likeness. But what I want is a likeness to the reaction I have to something the model to the equivalent I can see." A pamphlet diagram gives us the cycle of "the eye captures/ the brain processes/ the hand implements/ the eye evaluates" and so round again, with a short-circuit or two across the

> This is dense stuff, but important nonetheless. For what we are asked to look at is the visual intelligence at work, and it is ity ever made? We may numble work of a very particular kind. something of the artistic temper-

We tend to recognise intelligence only by conventional academic criteria, founded upon established fact, moderated by reason. Which is all very well, as far as it goes, but it does then confound us when we confront great works of art, that we acknowledge to be the mark and triumph of our civilisation, yet unamenable to such rationalisation. What is there to say, in such a way, of the National Gallery's great portrait by Rembrandt of the aged, lately bereaved Margaretha de Geer (1661), that Ocean has included in this exhibition and is, in its richly clotted surface, one of the most profound studies of human-

ament and a natural gift, as | MUSIC though to put it all down to native luck. The intuitive, side-stepping yet critical intelligence is always unsettling.

My feeling is that it is by such objective engagement with the real and visible world that the artist seeks to make real his sense of being alive and sentient within it. And, perhaps, by getting close to getting it right, he then makes it available to us to make sense of in our turn, and in our way, by the light of our own experience. The artist looks, and thinks, decides and makes a mark. But is the mark achieved the one intended? And does the one intended, in the event, match the perceived reality? And what about the mark laid next to it, and the next and next? As the marks accrue, so does the unforeseen, by an impulse here, an accident there, an intuitive adjustment there, and all to be critically considered against the reality. So it goes on, round and round, as the pamphlet says. It will never be right, quite. There is no end to it, which is the greater mystery.

For the past 30 years or so, our art educators have largely abandoned the critical practice of objective and technical study in favour of uninhibited self-expression on the one hand, and the self-conscious pursuit of ideas on the other. For my part I cannot help but think that what was good for Rembrandt and Gwen John (another of Ocean's exemplars) still had its uses. The indifferent student thus acquired a critical apparatus and technical skill; the gifted student the treedom to work as he chose. By this small, intelligent display, almost by the way. Humphrey Ocean and John Tchalenko show all is not lost. The work goes on.

The Painter's Eye - Humphrey Ocean & John Tchalenko: The National Portrait Gallery, St Martin's Place, London WC2, until June 13; part of The Wellcome Trust SCI-ART Project.

Strauss tarts up Mozart

On Friday Richard Hickox and his City of London Sinfonia scored a triumph for the Strauss half-centenary by introducing us to something rare, largely unheard-of and altogether fascinating. It both was, and was not, Mozart's 1781 opera Idomeneo, King of Crete.

Strauss worshipped Mozart and Idomeneo had been virtually forgotten in Austro-German opera houses ~ too stately. wordy and formal, too much of an antique opera seria. When somebody remembered that 1931 would be its 150th anniversary. Strates conductors to modernian it, "to win back Idomeneo for the German stage".

Working with a new German text by the producer Lothar Wallerstein, Strauss eliminated all the recitatives in favour of succinct, symphonically composed passages, and discreetly re-touched some of the orchestration. Furthermore he reduced Electra, a dramatic but somehow non-functional role in the original Mozart, to a mere high priestess who doesn't want Idomeneo's son to "taint the purity of Greek blood" by wedding the Trojan princess Ilia.

Even in 1931, it was hold to make this unsympathetic creature an exponent of quasi-Nazi racism! Strauss also cut Arbace's bass arias, which is standard practice now, and idomeneo's "Torna la pace" too. Beyond that again, he re-ordered much of the action, composing new music for the new joins. partly on Mozart's themes.

Finally - and this is why the Strauss-Mozart Idomeneo could never be a substitute for the real thing - he inserted shamelessly personal bits of his own. A disconcerting quote (way out of line) from his Aegyptische Helena; a churning late-Romantic interlude for Act 2; and spectacularly, just before Mozart's reverent final chorus in Act 3, an echi-Strauss ensemble

that soars to ecstatic Rosenkuvalier heights before it. sinks to a glowing Capriccio Hickox let us been that all this

re-working and re-writing stemmed from deep affection for Mozart. Who cares whether it was "misguided", or "anachronistic"? Since there is no chance of its supplanting the original, we can appreciate the

result as an overweening tribute

from a master hand. Thanks to an excellent cast, led by Alison Hagley's searchingly subtle Ilia and Kurt Streit's sombre, troubled Idomeneo, with Pamela Heleu Stephen's upstanding mezzo Idamante, Christine Brewer's preent priestess. Matthew Brook's various bass roles and the London Symphony Chorus, while the hybrid score lasted it almost persuaded. No Straussian and/or Mozartean who was there

could have failed to be stirred and amazed, and often amused For the sake of those who weren't, Hickox and the CLS must commit their vital performance to CDs. An "important" rediscovery? - well. not really; but intriguing. thought-provoking . . . most

David Murray

certainly, yes.

Soonsored by HSBC Holdings pic, with support from The John Ellerman

THEATRE IN PARIS RICHARD III

Boiled down to blood and guts

Revamping the classics, or bone disease, who died suddenly tongue-in-cheek mish-mash of 'relecture" as it is politely during rehearsals. known, has been the main concern of many French theatre directors for close on 30 years, now: Patrice Chéreau drew interwith his highly acclaimed cente-Cycle at Bayreuth in 1976. Shakedox and very happy results. Under a marquee in the Parc de la Villette, director Geneviève de Kermahon has forged a some times overstated and terrifying. universe out of Shakespeare's darkest history play. It is partly mirae, partly puppet show, and mostly declamatory theatre using minimal props, in the purest

Renaissance tradition. The set is a half-moon wall of wooden planks, in which numerous doors provide for lots of clever exits and entrances. The costumes mix ancient and modern, and gender is constantly interchangeable: the Duchess of York is played, in a period dress, by a man, Joe Sheridan, who also takes the role of her son Edward, wearing schoolboy's uniform. The Bishop of Ely is an actor rigged up like a rag doll, and various minor masculine roles, such as Clarence's jailer, become even more sinister played by women. The biggest single shock of all however, is legless actor Hervé Paillet as Richard. "Rudely stamp'd" indeed, he is either carried by another actor or moves around stage on his arms. Paillet

The Duchess of York is played, in period dress, by a man; but the biggest single shock of all is the legless actor Hervé Paillet as Richard

his delivery all too often sacrifices the poetry, which is good. even in French, while turning all of Richard's curdlingly clever sarcasms into angry distribe. So much inventiveness and so much violence (Clarence is drowned in the "malmsey butt" on stage and not off, as Shakespeare directed) are wildly entertaining even if the play itself, bereft of its tenderness and poetry, does end tip resembling a blood-and-guts tragedy by some minor Elizabethan playwright.

Richard III is also centre stage at the Theatre de la Bastille in Imprécation 36. Written and directed by Michel Deutsch, it is not so much a play as a

sketches, performed on a bare A confusingly densely popu- stage and very loosely built lated play by any standards, around Shakespeare's Richard Richard III can be pretty baffling and a similarly psychopathic. in this version too, even with the unnamed modern-day crook. national attention to the trend help of an additional introduc. Andre Wilms slips from an tory monologue by the dead impressive Comédie Française nary treatment of Wagner's Ring Henry VI, all gore and protruding delivery of Richard, complete daggers. Paillet's disability, with heavily accentuated humpspeare's Richard III is the latest meanwhile, is so major as to be back and limp, into something to be put through the mill of continuously disturbing. Strong altogether more supple, contem-"relecture" with highly unortho- on the role's dramatic aspects, porary and full of expletives, as the III-defined croak.

He is accompanied by young actresses Judith Henry and Marie Payen in a multitude of roles Renaissance and modern; bad guys. Deutsch seems to be saying, are bad guys, whether murdering their way to the throne or peddiing heroin. It may not be a profound point, but it does make for good entertainment. Accompanied by a four-man rock band, Wilms first of all raps his way through the cast list before launching into a diatribe against the insipidity of modern life, too many TV chat shows, too much obsession with hygiene, and then acts the Richard III confrontation between Richard and Lady Anne: "Foul devil, for God's sake, hence and trouble us not."

It all ends finally with a shouting match between Princess Diana and Camilla Parker-Bowles, to the accompaniment of a shower of rain and Elton John's "Candle in the Wind". Far more than merely pretentious, it is hilariously funny.

Micholas Powell

LONDON

Tilchard IIP rens metil April 25



Unorthodox: Herré Pallet (being held, centre) as Richard III in de Kermabon's Paris production

INTERNATIONAL

was a replacement for a coi-

league, suffering from brittle

Arts Guide

AMSTERDAM

BERLIN.

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Otelio: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber; with a cast led by Vladimir Bogachov; Apr 22, 25

DANCE Deutsche Oper Tel: 49-30-34384-01 Tokyo Ballet: in a Maurice Béjart programme comprising Stravinsky's La Sacre de Printemps and Petruschka, and Ravel's Bolero, Apr 20, 21

COPENHAGEN EXHIBITION Louisiana Museum of Modern Art, Humleback

Tel: 45-4919 0719 www.jouisiana.dk The Asian City of the 90s: display focusing on the processes of cultural, political and economic development in Asia, and on the

dialogue between East and West;

FLORENCE OPERA Teatro Comunale Tel: 39-055-211158 www.maggiofiorentino.com The Queen of Spades: by Tchalkovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 21,

FORT WORTH EXHIBITION Kimbell Art Museum Tel: 1-817-3328451 www.kimbellart.org Gifts of the Nile: Ancient Egyptian Faience. Display of ceramics, known as faience, a modure worked by the Egyptians and regarded by them as magical; to Apr 25

HAGERSTOWN **EXHIBITION** Washington County Museum of

Fine Arts Tel: 1-301-739 5727 www.washcomuseum.org Charles Walther: works of the Maryland Modernist are displayed here; to Jun 13

HOUSTON Houston Grand Opera, Wortham Center Tel: 1-713-227 2787

www.hgo.com Resurrection: world premiere of Tod Machover's new opera set in Tsarist Russia, with a Roretto by Laura Harrington. Patrick Summers conducts a staging by Braham Murray, with designs by Simon Higlett, Apr 23, 25

CONCERTS Burbicari Hall Tel: 44-171-638 8891 City of London Sinfonia: conducted by Richard Hickox In works by Strauss, Haydn and Beethoven, with soprano Christine Brewer, Apr 21 Royal Festival Hall Tel: 44-171-960 4242 London Philharmonic Orchestra:

continuing the International

Series Daniel Harding conducts

in works by Brahms, Mozart, and Strauss; Apr 20 EXHIBITION National Gallery Tel: 44-171-839 3321 Portraits by Ingres: Imagès of an. Epoch. 40 paintings and 50 drawings by the 19th century French painter, includes major loans from museums in France,

the US and elsewhere; then

touring to the US; to Apr 25

OPERA English National Opera, London Coliseum Tel: 44-171-632 8300 Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney, as Salome in David Laveaux's production; Apr 1.70

Senter's Wells Tel: 44-171-863 8000 The Royal Opera: Paul Buriyan, by Benjamin Britten. Staging by Francesca Zambello, conducted by Richard Hickox (replaced by Chris Willis on Apr 27); Apr 23,

LOS ANGELES CONCERT Music Center: Doroth Chandler Pavilion Tel: 1-213-365 3500 www.laphil.org. Los Angeles Philhermonica conducted by Alan Gilbert in works by Bernstein, Ruggles, John Williams, and Copland; featuring David Breidenthal on bassoon: Apr 22, 24, 25

MUNICH CONCERTS Phiharmonie Gasteir Tel: 49-89-5481 8181 European Brass Band Championships: Apr 24 Munich Philharmonic Orchestra: conducted by Manfred Honeck in works by Wolf and Tchaikovsky, Apr 21, premiere by Polish-Israeli 22, 23 Pinchas Zukerman: recital by composer Jan Radzynski; Apr 24 theviolinist of works by Mozart, Takemitsu, Schumann and

NAGOYA EXHIBITION Nagoya/Boston Museum of Fine Arts www.nagoya-boston.or.jo

Neikrug; Apr 20.

Brahms, with piano soloist Marc

Art of the Ancient Mediterranean World: inaugural long-term display of more than 220 objects, ranging from prehistoric Egyptian earthenware to a fresco from Pompei; to Jul 15

NEW YORK CONCERTS Avery Fisher Hall, Lincoln

Tel: 1-212-875 5030

www.lincoincenter.org

New York Philharmonic:

conducted by Colin Davis in

works by Mozart, with plano soloist Imogen Cooper; Apr 20 New York Philharmonic: conducted by Colin Davis in the world premiere of James MacMillan's The World's Ransoming, with English hom soloist Thomas Stacy. The programme is completed by Bruckner's Symphony No. 9; Apr 22, 23, 24 Kmutman Concert Hall Tel: 1-212-996 1100 Recital: Violinist Raimundes Katilius and pianist Golda Vainberg-Tatz present the works of Grieg, Balsys, Debussy, and Mendelssohn, along with a world

EXHIBITION Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org 18th Century French Drawings in New York Collections: highlights of a century of collecting. featuring 100 outstanding examples by 59 artists including

Watteau, Boucher and

Fragonard; to Apr 25 **DPERA** New York City Opera, New York State Theater Tel: 1-212-870 5570 www.nycopera.com

Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan; Apr 21, 24

PARIS EXHIBITION Musée du Louvre Tel: 33-1-4020 5151 www.louvre.fr Le Pyramide du Louvre à 10 Ans: programme of lectures, walks, concerts and films, celebrating the pyramid's 10th anniversary; to Apr 21

OPERA Opéra National de Paris, Opéra Tel: 33-1-4473 1300 www.opera-da-paris.fr Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with

designs by Paul Steinberg; Apr 22, 25

TOKYO

OPERA New National Theatre Tel: 81-3-5352 9999 Die Fledermaus; by J. Strauss. This production is conducted by Yukio Kitahara in a staging by Kyoko Fujishiro, directed by Hironori Terasaki, Apr 22, 23, 24, 25 **ZURICH**

EXHIBITION Kandinsky, Chagall, Malevich and the Russian Avant-Garde: show tracing the art movements between the Russian revolutions of 1905 and 1918, and focusing on attempts by artists to fuse aspects of folk culture with Western modernism. Many of the 100 works on display are on loan from Russian museums; to Apr

TV AND RADIO WORLD SERVICE

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EUROPEAN CABLE AND SATELLITE BUSINESS TV

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06.30: Moneyline with Lou Dobbs 13.30: Business Asle 19,30: World Business Today 22.00: World Business Today

. Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



On a life support

Outdated ideals and misplaced beliefs in the role of companies are keeping too many big businesses going

Why don't more big companies die!' After all, if end of the millennium capitalism is as competitive as we're told, surely we should be surrounded by corporate corpses?

Although small companies perish by the thousand, big companies rarely die completely, instead, they are taken over. Such transactions do, from time to time, result in the entinction of the acquired company. But more often, as the vogue for purported "mergers of equals" indicates, much of the old company survives. Culture, staff, management. brands, business model. Internal processes - all linger on for decades. fighting a rearguard action

Does this make sense" No. gues Andrew Compbell of the Ashridge Strategic Management Centre. Companies should simply be allowed to die when their time is up, he says. Their assets - including brands can be sold. If they have value, they will survive in more suitable hands. But the companies themselves should disappear.

against the acquirer.

We instinctively find this approach difficult to accept. Although hostile takeovers are commonplace, the raider who seeks to dismember a company is still vilified. even in the US. Governments no longer subsidise failing companies. but they do everything short of that to keep big businesses alive, especially

in manufacturing.
One school of thought is that this is as it should be a company is more than the sum of its economic activities. It is a living institution, like a religious widely held, companies are upheld by the strong instinct to preserve life.

But consider for a moment the alternative view. Think of a company as merely a way to achieve economic purposes, a bundle of contracts, relationships, and assets. These have value by themselves, for the company to survive it must add something else if it does not, surely it should die. allowing the assets to be

used elsewhere" Incumbent managers should, in other words, recognise when their stewardship of their companies' assets and relationships no longer serves an economic purpose. They make this judgment about peripheral activities: the act of divestment is an explicit acknowledgement that a subsidiary is more valuable in other hands. It is perhaps time for them to apply this to their own stewardship of the core

business. Acquiring managers would have to change the way they operated. They would be free to display more ruthlessness in the early months of the

takeover, instead of mouthing platitudes about drawing on the best of two traditions. But they would soon face a harsh test for their stewardship of the newly acquired assets: can they use them more effectively? If not, it would be time for the assets to change hands again.

Even though this approach is not widely shared today. cash takenvers help push managers and investors to think in this way. The recent trend towards all-share mergers lets them off the book, by leaving a tempting zone of ambiguity. A year or so down the road, it is harder to judge how much an all-paper acquirer paid. and how effectively it is using its new assets. A willingness to tolerate the idea of corporate extinction would sharpen the debate on such deals.

Take, for example, the Telecom Italia's fate. Clearly, whatever happens in the market for corporate control. Italians must



continue to receive a phone service. That test is likely to be satisfied by any of the proposed outcomes: continued independence for the company; a takeover by Olivetti; or a merger with Deutsche Telekoni. So how should the battle be decided?

present themselves as stewards of Telecom Italia's legacy, Olivetti's Roberto Colaninno seeks to manage it better; so does Franco Bernabe, the company's boss. The Deutsche Telekom merger is proposed as a means of allowing both companies to survive the era of European telecommunications deregulation, with their heritage of mass coverage. universal service and national pride intact.

All three protagonists

If you set aside the natural yearning for corporate immortality, all three proposals have drawbacks. Both Mr Bernabe and Mr Colaninno are asking shareholders to take their managerial determination on trust. The Deutsche Telekom merger would - we are told - involve some industrial reorganisation. But no matter how sweeping, this is probably not the best possible use of the two companies' assets, since the various elements of the two companies' portfolios could individually find better partners.

Since no one disputes that Telecom Italia has been wastefully managed in the past, this three-way choice seems unnecessarily limited Perhaps a full-scale auction of Telecom Italia's assets would serve shareholders and customers better. Even employees, who have the most to lose if existing relationships are threatened. might ultimately do better from working in a more effective structure. Such an auction would break the components - property, infrastructure, long distance carriage, "local loop", customer service, and so on

 then sell them separately. The outcome would indeed, be corporate euthanasia. As the Victorian poet Arthur Hugh Clough put it: "Thou shalt not kill: but need'st not strive/ Officiously to keep alive."

peter.martin@ft.com

LETTERS TO THE EDITOR

An Irishman is best for trade post

Sir. With an imminent changing of the guard at the European Commission, William Wallace's plea for a more effective European approach to the US is timely ("Meeting of minds", April 15).

The new president faces three challenges.

Europe has spoken with a single voice on trade issues for the past 40 years; this has enabled it to make a significant contribution to the liberalisation of world trade. But there is no single European voice in services and environmental and social policies - areas of growing

embark on a new "millen-nium round" of trade negoti-US, is as tough as old boots, ations and it is high time the but can charm birds off trees Commission was the EU's whether in Houston, Atlanta representative on these issues as it is for trade. Representation of the euro

on the world stage is also a mess. The vanity of finance ministers is legendary. But the longer the Euro 11 take to agree to be represented simply by the equivalent of a Treasury secretary and the president of the European Central Bank, the longer it will take for Europe to be taken seriously.

What sort of person will Romano Prodi designate as the Commissioner dealing importance. The US and the with external trade? Will he European Union are about to or she be a failed politician,

or Capitol Hill? Writing as a European with a British passport, with some experience in this field, I would say the best bet here could be an Irishman. And many in Brussels would agree that

the best possible choice. The answers to these questions will test not only the ability of Mr Prodi but the promised goodwill of the European heads of govern-

Peter Sutherland would be

194B Avenue de Tervuren, 1150 Brussels, Belgium

The truth as recognised by BBC journalists

From Z. Jakopovic. Sir. It is incredible how BBC World studio journalists react when interviewees criticise Nato over the bombing of Yugoslavia. They seem shocked, never let their guests finish and keep repeating unsubstantiated Nato spokesmen's claims of Serbian atrocities. However, if they hear "Serb bashing" they are more than willing

out much cross-questioning. Does the only truth you ecognise come from Tellable Nato sources", ie the Kosovo Liberation Army and Nato, which have proved to be very dubious? Or are you just afraid that the British people cannot handle a complicated situation in which the Serbs are not the villains? I do not have to to give such commentators remind you that many Nato Belgrade, Yugoslavia

all the time in the day, with- claims have had to be retracted quickly, but I am still waiting for a significant Yugoslav government lie. Unlike people in the UK, I have the opportunity to watch BBC. CNN and Sky News as well as Yugoslav TV, and I cannot believe how low western media have

Z. Jakopovic,

'Happiness' is a sad tale of oddballs' desperation

From Mr Samuel Walden. Sir, "If there are any better films in the next millennium we will all want to stay alive and see it out."

This was Nigel Andrews' verdict in his review of Happiness (April 15), Such ballyhoo is clearly intended to leave readers with a Regrettably, having followed this advice and seen

the film, I feel that it should not have been commended without a prominent caveat. but scarcely liked to say, It does far more than broach "nearly every taboo sexual well-adjusted human being topic in the book". While is a contradiction in terms." 28 Belstze Avenne, London NW3 4AU.

well made, it is deeply dis- The implication here is that never been a better film about desperation". Yet it is principally a film about the desperation of adult sexual oddballs rather than about desperation per se.

In his introduction, your reviewer attempts to universalise the film's subject matter by claiming that "It tells us what we already knew even to ourselves. That a

turbing, particularly in its the characters are in some portrayal of paedophilia. We broad sense representative are told that "there has of society. However, not one of the adult protagonists in the various strands of this film can be viewed as "welladjusted". If film-makers are to set

their sights on your reviewer's praise, then we should, rather than wait to see the next millennium out, consider death's certainty as merciful relief.

London NW3 4AU, UK

Unacceptable to Virgin

From Mr Richard Branson Sir, I refer to your Lex comment about Virgin Atlantic on April 19The fall of high-tech his

Lex says; presumably based on the inaccurate story appearing in the edition of April 17 that Continental Airlines was seeking to buy a 40 per cent stake in Virgin Atlantic for only £248m. Our discussions with Continental centred on it taking a minority stake at a price that would put a value on the company considerably in excess even of the £1.2bn you speculate as the "starry-eyed" float valuation. Lex then goes on to cast aspersions on my com-pany's accounting methods by its reference to opaque

You arbitrarily question our effective tax rate of 20 per cent as unsustainable in a public company. We benefit from significant capital allowances - a standard feature of a capital-intensive industry, as any financial

journalist should know. One has to question the quality of the financial acumen behind this story showing such a lack of basic financial understanding as to put forward assertions asper cent flotation discount (what "standard" is that? the market norm is around 10 per cent) and that a company floating in "autumn" 1999 (per the FT article of April 17) would have an initial public offering valuation based on April 1998 figures. I

could go on. Lex is perfectly entitled to its own opinions. But inaccuracies such as these are extremely basic and extremely damaging to my company and are unaccept.

Richard Branson. Virgin Atlantic, Crawley Business Quarter. Manor Royal, Crawley, West Sussex, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be toxed to +44 171-873 6936 feet fax to "fine"), exmets letters existential com Published letters are also available on the FT web site, http://www.FT.com Translation may be evallable for letters written in the main international languages. Fix. 0171-873 5938. Letters should be typed and not hand written.

PERSONAL VIEW SADAKO OGATA

Returning the refugees

The UNHCR is ready to help Kosovars return home, but to do so peacekeeping troops are needed, as well as a reconstruction plan for the whole region

he refugae exodus from Kosovo constitutes one of the most deplorable episodes in modern European history. Driven from their homes, stripped of their possessions and deprived of their identity documents, the Kosovars are the victims of a shameful and systematic campaign of persecution and abuse. Using the most brutal methods imaginable to erase a population from the map, the Yugoslav authorities have acted in a way that is morally repugnant and in direct violation of international law.

The international response to this refugee crisis has suffered from some evident shortcomings. The speed and scale of the exodus took everyons - including the Office of the United Nations High Commissioner for Refurees - by surprise. As a result, the relief effort was slow to get off the ground and placed undue strain on the countries directly affected by the influx. The hastily arranged effort to evacuate some of the refuome cases led to the separation of families.

With the refugee exodus continuing and no resolution to the Kosovo crisis in sight. this humanitarian catastrophe will not be resolved quickly. But a number of practical steps can and must be taken to limit the suffering of the Kosovar people and to bring a degree of stability to the region. First, it is essential that

the refugees be provided with effective protection in the countries to which they have fled. It is reassuring to note that so many refugees from Kosovo have been admitted to neighbouring states. But some deeply disturbing incidents have also taken place. Borders have been closed, leaving large numbers of refugees to fend for themselves in difficult gained real momentum, and dangerous locations. New arrivals have been members of the public have involuntarily moved from pledged their support. Genone location to another, forcing them to abandon their being made and the practical few possessions. And the arrangements needed to proconflict has started to spread beyond the borders of Kos- needs put into place.



ovo, adding to the insecurity of refugees who are camped in border areas.

If such occurrences are to be averted, a scrupulous respect for the principles of international refugee law is required. Displaced Kosovars must be allowed to leave their homeland and to seek safety in neighbouring states. No refugee should be forced back to Kosovo, or moved without being properly consulted. To reinforce the security of the refugees, the refugee camps should be established at a suitable distance from the border with Kosovo and must retain a strictly humanitarian character. There should be no armed presence in or near

Achieving this will require a properly co-ordinated refugee relief operation. For unless they receive adequate international support, asylum countries such as Albania and the Former Yugoslav Republic of Macedonian (FYROM) will become vulnerable to increased social and political tension.

The refugee operation has Many governments and pledged their support. Generous contributions are vide the refugees with bosic

A third and pressing objective must be to reunite family members who have lost contact with each other. There is some disturbing evidence to suggest that adult males have been separated

from their wives and chil-

dren by the Yugoslav security services. Many other families have been split up in the process of being expelled from Kosovo, while the hasty and involuntary relocation of some refugee groups has fre-quently caused the sick and elderly to be left behind. UNHCR's efforts to register the refugee population will help many of these families to be reunited.

The fourth significant challenge is to be found within Kosovo itself. In the absence of any international presence in Kosovo, it is degree of accuracy the numclear from refugee testimonies that thousands of people are hiding in the hills in constant fear of the Yugoslav military.

move back into Kosovo, to assist all those in need and to help those refugees and displaced people who wish to in the Balkans. go back to their homes. But that can only happen under certain specific conditions:

forces and security services responsible for the persecution and expulsion of the Kosovars; the deployment of an international military force; and the establishment of an international monitoring mechanism. Such arrangements must also guarantee the safety of Kosovo's Serb population and protect their right to live in Kosovo, whatever its future

status. Fifth, planning must be accelerated for a long-term solution to the Kosovo crisis. It is clear that the only solution for the vast majority of refugees - and for the many thousands displaced in Kosovo itself will be voluntary repatriation. Any other approach would serve to endorse the ethnic cleansing that has already taken place.

Thought must also be given to the enormous task of reconstruction and reconciliation. A political settlement to the crisis in Kosovo is required. A settlement must also give full suppor to the International Criminal Tribunal for the Former Yugoslavia in its work of bringing to justice those guilty of crimes against humanity. Without such justice there can be no mean ingful peace in Rosovo.

Finally, the regional dimension must not be neglected - perhaps one of the most important weaknesses of the Dayton Accords. The crisis has highlighted the vulnerability of neighbouring countries such as FYROM and Albania, which in many ways are poorer than Kosovo itself. These countries require ecoimpossible to know with any nomic assistance. But they also need help to build the bers of those displaced or national institutions and their suffering. But it is civil society that can provide a basis for future stability and economic growth. Montenegro, and a and forests of Kosovo, living democratic Serbla, might also eventually be brought into a regional plan for UNHCR stands ready to reconstruction - a plan that will need the vision that has been so lacking in previous attempts to end the conflict

The author is United Nation the withdrawal of the armed Refugees



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday April 20 1999

The fall of a high-tech hero

The fall of Eckhard Pfeiffer, who Dell has achieved far greater flex-bas resigned as chief executive of ibility in pricing and inventory can capitalism at its most coldeyed, bruising and unsentimental. And it is a healthy sight.

one of the most prominent businessmen in the US, widely admired for his turnround of Compaq. Catapulted into the top job in 1991, when the company announced its first quarterly loss, he presided over its growth Pfeiffer was an excellent manfrom a business with \$3bn (£1.8bn) of annual sales to some the mid-1990s, he may not have full line computer company.

ignation was a profits warning last week that surprised Wall Street analysts, already on poor terms with the company. In a a problem unique to Compaq. cutting edge, high technology Any fast-growing business can industry, where share price valu- face a potential mismatch. But ations are extremely volatile, many companies are not precompanies ignore good communications with the broking community at their peril.

But behind the profits warning which the company claimed right themselves. In many secreflected industry-wide trends appear more deep-scated problems of strategy and execution period of drift and decline.

specific to Compaq. difficulty in changing its personal computer business model to cope with the direct selling methods pioneered by Dell Computer, which are more suitable

election yesterday should give a

salutary shock to the outside

world, not least to the European

Union. Instead of producing a

strong showing by the Islamist

party, which was widely expected

to top the poll, it has resulted in big gains for two nationalist par-

news. It is reassuring that the

apparently inexorable rise of the

Islamists, represented by the Vir-

tue Party, has gone into reverse.

They have been shown to be a

political party like any other.

levels, where their running of

cities like Istanbul has been seen

as fair and effective. But at the

The disturbing news was the

leap in support for the far-right

Nationalist Action party (MHP).

which more than doubled its vote

to become the second-largest.

group in the new parliament. The

party claims to have shed its

most extremist and violent ele-

ments, but it has yet to prove its

remains fiercely nationalist on

questions of Kurdish autonomy -

it denies the existence of a Kurd-

ish problem - and on the defence

The main victor, however, was

the Democratic Left Party of

Billent Ecevit, the outgoing

prime minister, who topped the

of Turkish Cyprus.

national level they lost ground.

ties, on the left and far-right.

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Turkey's poll

There is both good and bad the upsurge in nationalist senti-

They still won support at local reinforced a backlash against the

more moderate credentials. It second-class neighbour and

Compaq Computer, shows Americontrol. Compaq has fumbled its attempts to move in this direc-

The company, which has Until Sunday, Mr Pfeiffer was jumped in size over the past two years through the acquisition of Tandem Computers and Digital Equipment, may also have been slow to get a grip on these new businesses, particularly Digital.

All this suggests that while Mr ager of the company's growth in \$40bn, and its expansion into a the ideal skills to oversee the much more complex period of The proximate cause of his rese evolution with which it is now

> Matching executives' strengths to a company's growth is hardly pared to act toughly. The temptation is to avoid embarrassing confrontations with corporate heroes, in the hope matters will tors, companies can still live off past laurels for a considerable

Not so in an industry as fast-One of the most serious is its moving and open to new entrants as US PCs. The results may seem brutal. But US executive pay levels should more than compensate for an uncertain life at the top, and a willingness to embrace for a commodity product. By ruthless change is one of the eliminating a layer of middleman strengths of American industry's

panies has done less well since from its depressed level of early may have a sting in the tail. One dealers, and building to order, competitive creativity. group that has taken part in the rebound has been the commodity stocks, thanks to a rebound in

from being seen as an honest pro-

ker in previous governments.

The EU is at least partly

responsible for the popularity of

both parties. One factor has been

ment over the pursuit and cap-

ture of Abdullah Ocalan, the

Kurdish guerrilla leeder, in January. EU states, led by Italy and

Germany, were blamed for refus-

ing to extradite him. That

EU which started when Turkey

was annihoed in its application

The final shape of the new

Turkish government may take

time to emerge. But the election

underlines how essential it is for

the EU to pursue a coherent pol-

icy towards Ankara. Turkey is a

vital strategic partner for Europe, in the Middle East, the Balkans,

and in central Asia. Yet the mem-

ber states have treated it as a

allowed the relationship to be

both Turkey and the EU to put

these relations back on a proper

footing. The new government in

Ankara must not relapse into

furious isolationism. And the EU

must show greater understand-

It is in the vital interests of

blocked by the veto of Greece.

for membership in 1997.

and continuity.

lysts are talking about a pick-up in metal prices. The low inflation era of the late 1990s has been in part due to low commodity prices. If they are rebounding and global economies The outcome of Turkey's general credentials, as the premier who ordered the Turkish invasion of start to grow rapidly, then even-Cyprus in 1974. He also benefited tually central banks may be forced to reverse their recent rate cuts. And that could spell the end attempting to provide stability

growth. But now they have had a

The ratings of classic growth

stocks have started crumbling on

Wall Street, and long-neglected

processing companies - are once

more coming to the fore. The

Dow Jones Industrial Average

rose sharply yesterday in early trading, while the technology-

dominated Nasdaq lagged

Nor is this phenomenon confined to the US. In the UK and

Europe, industrial stocks have

returned to favour in recent

weeks and even long-depressed

commodity shares have started

This shift in sentiment could

alter the entire climate for stock

market investment. Value inves-

tors, those who look for shares

that are temporarily underval-

ued, have performed poorly in

recent years. Success has gone to

the momentum investors, those

who have bought stocks that

have risen sharply on the

grounds they will go even higher.

But the value school may finally

The neglected smaller company

sector may also be edging back

into the limelight. In the UK, the

FTSE 250 and SmallCap indices,

which are both heavily weighted

towards industrial stocks, have

each risen by 19 per cent this

year and have outperformed the

blue-chip benchmark by more than 9 per cent. In the US, the Russell 2000 index of small com-

January, but is up 25 per cent

But the return of cyclicals also

the crude oil price, and some ana-

be staging a recovery.

rebounding in Latin America.

change of heart.

behind.

for the long bull market. The pick-up in cyclicals is turnsround in the prospects for belief that such shares have recent half percentage point cut become undervalued.

Investors are more confident about the outlook for the world economy than they were in the dark days of autumn 1998, when many were talking about a global recession in 1999. "We've had several occasions

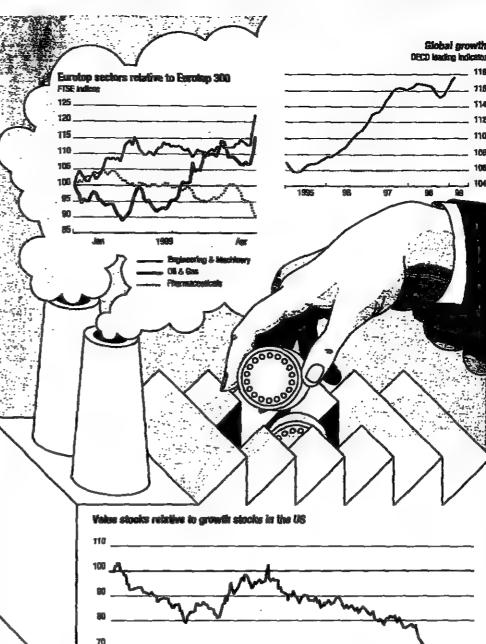
over the last few years when it looked as though things were turning around for the global economy," says Stephen Slifer, an economist at Lehman Brothers in New York. "The question now is, is this finally it? Have we passed the low point?" While huge problems remain in the Asian financial sector, the

worst could be over for the region's aconomies. The competitive boost from 1997's devaluations and the effect of recession on demand for imports has vastly improved their current account. positions, and economic forecasts are being revised upwards. The US has shrugged off all the

fears of a credit crunch that said John Correnti, chief execuprompted the Federal Reserve to tive of Nucor, the second-biggest climate that justifies this differ-cut interest rates three times in US steel producer. Nucor's stock ential. In a slow growth, low

Back in from the cold Philip Coggan and Richard Waters on why investors

🖣 he bull market may still be charging ahead, but it has changed direcare looking again at unfashionable industrial shares years, investors have ploughed cash into industries such as technology and pharmaceuticals that seemed to promise unlimited



the fourth quarter of 1996. Gross slumped last autumn as Asian domestic product growth turned and Russian steel swamped the economy, it is very hard for out to be an annualised 6.1 per US market. Now, says Mr Corcent in that period and there scarcely seems to have been orders are turning up again. The much slackening this year. In continental Europe, where

output in Germany and sluggish world economic growth; and a growth in France and Italy, the in interest rates by the European Central Bank has sparked hopes of a return to more solid growth. And in the UK, talk of a recession is fast fading: when figures are released on Friday, it seems likely they will show that the economy avoided a fall in output in the first quarter.

All this helps the cyclical stocks that tend to benefit proportionately more from an improvement in the economy. As a group, they tend to be highly operationally geared; a small rise in revenue growth means a big

improvement in earnings. This is not only wishful thinking among investors. Executives in some of the industries most battered by the Asian crisis, such as steel, report an about-turn in their prospects in recent weeks. even if it will take some time for this to show through in the form

"All the ten leaves look good,"

OBSERVER

renti, the pressure has eased and effects of this on Nucor's profits will not be felt during the first m, he adds

The prospect of this recovery has also helped focus the mar-

'Most of the internet speculators have never even owned a chemical stock'

low level to which the stocks of such companies had fallen. The appetite for growth stocks that investors have displayed in the mid-to-late 1990s has meant that a vast valuation differential has developed between stocks in a few favoured sectors - information technology, telecommunications, pharmaceuticals - and the

rest of the market. Many argue that there has been a change in the industrial inflation and globally competitive many companies to increase sales or prices. For many, life has been a struggle to cut costs just to stay in business

Technology, pharmaceutical largely caused by two factors: a there has been a decline in half of this year, but should and telecommunications busi- to pay off if the market is moving become apparent during the nesses all enjoy the advantage that their industries are incre ing rapidly. Not only does this make it a lot easier for them to continue increasing profits, it means that they stand out from the rest of the market, and accordingly attract a premium

> But while some premium might be justified, has the market taken it too far? In the UK, for example, telecommunications stocks still trade on a historic price-earnings ratio of 55, while pharmaceuticals groups command a multiple of nearly 49; the rating afforded engineering stocks is just 15 and forestry and paper manages a mere 11. That seems to afford plenty of scope for bargain-hunters.

The US's leadership in many nerts of the technology industry - and its early lead on the internet - have made some Wall Street comparisons even more extreme. Before a rally that set in last autumn, the five biggest US paper companies, which between them employ more than 200,000 people and have revenues of \$55bn, were worth a collective

its recent peak, of eBay, an internet auction company with 138 employees and revenues last year of under \$50m.

With such bloated market values among the growth companies - and such relatively small capitalisations on cyclical companies it does not take much of switch from one to the other to produce, an out-sized bounce in paper or other cyclical stocks, says Byron Wien, US equity strategist at Morgan Stanley Dean Witter. "A little bit of money goes a long way," he adds.

So far the adjustment in relative valuations that has been under way in stock markets around the world this month has only amounted to a reversal of some big historical anomalies the equity market equivalent of a bargain-basement sale.

It is far from clear whether cyclical companies will justify this enthusiasm - or even whether the very forces that have produced this turnaround could spell an end to the bull market.

For a start, it will be some months before companies in the most downtrodden industries like chemicals and steel, or capital: goods, produce the sort of robust. sarnings rebound that investors are hoping for.

The overcapacity in world manufacturing has not gone away overnight, and as long as. manufactured goods remain in surplus, few producers can look forward to a return of pricing power. In the US, the earnings boom that characterised the early years of the economic expansion has been trailing off for the past three years, with cyclical companies the most badly hit. The worst may be over for now, but it is unusual this late in the economic cycle to see anything more than a tepid rebound in growth, warn analysts at Lehman

At the same time, the very forces that have produced the rebound in cyclical stocks could, contain seeds of destruction for the bull market that has lasted more than 15 years on Wall

Firstly, it could spell the end of the momentum-investing style that has proved highly conducive to the bull market, particularly on Wall Street. Momentum investing has worked well in the technology sector, with much of the buying coming from a new army of small shareholders

This is a style that is unlikely into a new era of value investing. to buy an undervalued share is the crucial skill. That require sophisticated analysis that could be hard for the new retail investor. "Most of the internet speculatore have never even owned a chemical stock," says Dick Hoey, equity strategist at mutual fund group Dreyfus.

Secondly, the change in sentiment signals a belief that the deflationary pressures that have squeezed the developed world's producers for so long are about to ease. But that implies they will eventually be able to rebuild their profit margins by raising their prices.

The last time companies involved in basic materials like chemicals, paper and metals did better than the stock market at large was in 1993, when the US economy was was surging out of recession. By early the following year, however, the Federal Reserve slammed on the inflationary brakes by raising interest rates. The cyclical upturn was short that time; it may prove so

Controlling risk

poll. He has strong nationalist ing of Turkey's national pride.

It was Sir Adrian Cadbury who tious Hampel Committee, reflects said - nearly a decade ago - that the myriad risks faced by the all financial failures were in modern company. No company essence a failure of internal risk can be a going concern unless control. Today, at long last, the such threats have been fully anareport of the Turnbull Committee lays out - albeit in draft form - in the tail. Companies must own how listed UK companies should up if the internal control system report on the risks they face. Turnbull could have ducked the issues. Instead its proposals which in their final form should have the backing of the Stock Exchange - have some real bite. And they avoid unnecessary red

In the US, exhaustive public disclosure was recommended by the Treadway Commission in 1992. The reality is that this tarely give an insight into the business. The problem is that discussing real risks - like obsolete products or unethical suppliers can damage the share price and give competitors a field day. The alternative - a couple of lines of bland prose in the annual report - is almost as bad. Investors may draw comfort from such pleties

but it is usually misplaced. Turnbull has avoided both pitfalls. Companies, in a brief disclosure, have to say that they have an ongoing risk analysis programme which is regularly reviewed. Furthermore this risk financial ones. This innovation, to assure all stakeholders that signalled by the otherwise cau- they are the right ones.

lysed: And Turnbull has a sting has failed and say what they have done to put things right.

Directors and auditors should embrace the new guidance. It gives them the flexibility to make sure proper risk control is embed. ded in the corporate culture not just bolted on for the annual report. Non-executive directors, in particular, will be expected to make sure that the external disclosures match the internal reality. The audit committee may risks that actually threaten a have to take on a bigger role although the responsibility is the full board's alone.

Properly implemented, Turnbull brings to an end a revolutionary phase in the history of corporate governance in Britain. It is the last piece of the jigsaw which brings together the recommendations of Sir Adrian Cadbury, Sir Richard Greenbury and Sir Ronnie Hampel into a single, so-called, supercode. A system based on principles rather than checklists, and on meaningful disclosure rather than prescriptive data, will now be on trial Businesses prosper by taking threats - not just the narrow risks. Now they have the means Welteke goes down well

It's smiles and sighs of relief all round on the Frankfurt financial markets, where Ernst Welteke's expected nomination as the next Bundesbank president is the second piece of excellent news in just over a month.

pontaneous combustion as finance minister last month sparked celebrations not just because of his leftist economic colleies, but because he seemed intent on pushing his deputy, Heiner Flassback, Into the top Bundesbank slot. Flassbeck, with his calls for

currency target zones and a demand-led drive for growth, would have gone down like the proverbial lead balloon with bankers and businessmen allike. By contrast, Welteke is a familiar and well-liked face. As head of the central bank of Hesse, the state containing

Frenkfurt, he's built up a

German banks for their

ultra-close relationships with

private companies and their way

of using proxy votes at annual

renutation as a friend of business with useful political contacts. Above all, he is close in Germany's new finance minister, Hans Eichel, who moved Welteke into his current job in 1995. Still, the business world can't take Welteke for granted. Among other things, he's criticised

about Mildrail Gorbachev, Welteke has a nice smile - but

Corporate Sacrifice Striking South Korean workers

have finally found a corporate chieftain willing to share their founder Kim Woo-choong announced his debt-heavy conglomerate will sell \$7.5bn in assets in a bid to survive. And in an unusual gesture of humility, Kim's agreed to put Seoul's Hilton Hotel on the block It's home to his luxurious penthouse apartment, where his

collection. Pieces from her treasure trove, including a Henry Moore sculpture, could find a new home In one of Daewoo's galleries in Secul and the resort town of Kyongju. And if Kim's forced to leave his digs, his workers can always put him up. After all, how many bosses are willing to sell the ground beneath their feet?

wife keeps a celebrated art

Compact charisma Eckhard Pfeiffer, who made a

sudden exit as chief executive of Compac last weekend, used to be a golden boy. And he certainly had an achievement or two to his credit, if bringing the PC manufacturer back from the brink of disaster in the early 1990s is anything to go by.

He engineered Compaq's transformation into the biggest PC manufacturer in the world. masterninding a series of spectacular acquisitions which

culminated in the purchase of Digital Equipment last year. But one failing always stood out - or rather, didn't. In an industry littered with larger-than-life characters like Bill Gates of Microsoft, Larry Ellison of Oracle and Scott McNealy of Sun Microsystems, Pfeiffer

If McNealy is the industry's consummate showman cracking jokes and poking fun at his rivals - Pfeiffer was almost a concentre of the earnest German business manager. Even when he smiled the

scored low on the charisma

audience was left wondering whether the smile had to be written into the script. In an industry where ponytails and earrings have become the hallmarks of success, Pfeiffer remained a buttoned-down

business leader. And if he'd come to work wearing in-line skates, instead of executive shoes, would his fate have been any different?

Observer can only guess. Four times a lady

Memo to Chancellor Gerhard Schröder of Germany: don't look now, but someone's creeping up on your shoulder. Yes, it's

who last weekend metched Schröder's record for a serving German cabinet member by getting married for the fourth

The 51-year-old former Greens radical, dubbed "Joschka amoroso" in the German press took time out from attending to the Kosovo war by wedding journalism student Nicola Leske, 29. in Frankfurt's Palmengarten botanical gardens.

Friends say the knot would have been tied a few weeks ago had it not been for the outbreak of hostilities in the Balkans. Not that serial marriage

quarantees a permanent place in Germany's Social Democrat-Green coalition, Thrice-wed Oskar Lafontaine crashed out as finance minister in March after only five months in office. Still, the interior, transport and labour ministers are all into their second marriages, and Schröder took the plunge for the fourth time in

In love if not in politics, the government clearly believes that nothing succeeds like excess.

Bonding

Investors in Washington DC are being enticed by some exciting new bond issues, Observer

They are being offered a choice of the Monica bond, which has no maturity; the Clinton bond, no principle; or the foreign minister Joschka Flacher, Hillary bond, no interest.

Financial Times

100 years ago

Brady and Co. Limited

The verdancy of the Emerald isle has frequently formed the theme of local poets, but the investors of Erin must be greener than in its celebrated grass, judging from the kind of prospectus now fashionable in Belfast. We have commented

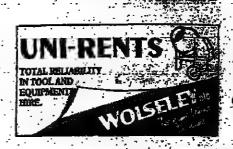
on these before in our columns and we have before us now another specimen, it is that of a small cycle agency and manufactory, by the name Brady and Co. Limited, with a capital of £5,000, of which £2,000 in £1 shares is offered for subscription. There is no statement as regards the value of the assets to be taken over, and all we are told about the profits is that the average of the past three years is sufficient to pay a dividend of 10 per cent on the present issue of shares. Even the price to be paid is not stated. Nothing could be more vague, but it is apparently considered good enough for Belfast.

50 years ago

U.S. record broken A British Austin Atlantic car to-day broke the record for seven days on the indianapolis speedway. Unofficially, the mileage for the seven days was 11,875, at an average of 70.68 m.p.h.

FINANCIAL TIMES

TUESDAY APRIL 20 1999



THE LEX COLUMN

Rebooting Compaq

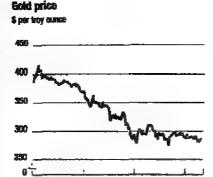
Eight years ago Eckhard Pfeiffer was parachuted in as chief executive of an ailing Compaq and engineered a hugely successful turnaround. Now, with the computer maker again in trouble, Mr Pfeiffer has himself been ousted. Both times, the man leading the boardroom putsch was Ben Rosen, Compaq's longtime chairman. Mr Rosen, who blames his former protegė for slow decision making, clearly hopes a change at the top will once again revive Compaq's fortunes.

It will not - at least not by itself. Poor execution, such as last year's inventory build-up, has compounded the group's problems. But its fundamental dilemma is strategic. Compaq is transforming itself from a personal computer assembler to an integrated service and solutions provider along the lines of IBM. Unfortunately, it has been caught half-way by plummeting prices in its original PC business, spurred by the rise of the internet and direct sellers such as Dell and Gateway. Compaq's response, adopting a hybrid model of part direct, part indirect sales, has failed. It has angered its established distributors without doing much to lower costs.

Since PCs are rapidly turning into commodities, Compaq has no choice but to grind on with its transition. With Tandem, Digital Equipment and a growing web presence, it now owns most of the relevant pieces. But knitting them together will take time, however inspired the new management.

Switzerland's decision to break the franc's link to gold is a blow for sentiment in a punch-drunk market. According to World Gold Council figures, the 2,590 tonnes of gold in the Swiss National Bank's reserves make it the world's fourth biggest holder of builion after the Eurosystem, the US and the International Monetary Fund. The bank's aim of selling 1,300 tonnes has long been unsettling the market. From its January 1996 high of \$416, the gold price has now fallen well below \$300, fixing on at \$235. Gold bulls take comfort from the fact that the SNB is unlikely to dump all 1,300 tonnes on the market at once, even if the government does want to raise some quick cash for its

After all, it will want to preserve the



value of the other half of its bullion. Assuming, for sake of argument, the SNB sells it calmly over a decade, averaging 130 tonnes a year, the market should have little trouble absorbing the additional supply, especially as the Asian economic recovery gathers steam. Analysts estimate the market shortfall at 1,000 tonnes per year. However, Switzerland is far from being the only seller. Other central banks and the IMF are increasingly conscious of the opportunity cost of holding gold as they contemplate the interest they forgo. Nor is there any obvious way to co-ordinate a collective exit, since each holder has an incentive to sell first. Much of this likely disarray is already in today's price.

Korean restructuring

The Korean government can breathe a little easier. Daewoo and Hyundai, the country's two largest chaebol, or conglomerates, are backing away from confrontation over its demands that they cut their colossal debts. Both have unveiled belated restructuring plans. Daewoo plans to sell businesses worth Won9,000bn (\$7.3bn) to reduce its Won60,000bn of borrowings equivalent to a vertigo-inducing five times equity. Hyundai is still coy on exactly how it might raise cash, but is promising to cut its debts by a quarter.

The plans alone will not restore either group to health. Nor will they fulfil government demands that the chaebol reduce borrowings to a still racy two times equity by the end of the year. But they

CONTENTS

may reflect a necessary change of heart By foot-dragging over reducing capacity and recapitalising their debt-laden empires, the family-owned charbol are threatening to hold back the recovery of Korea's economy. Hyundai and Daewoo

have been the worst offenders. One reason for the change of tune has been the government's willingness to get tough. It is threatening to unleash Korea's largely nationalised banks on the chaebol. demanding debt-equity swaps as the price of further support. This threat is not without risk. Another banking crisis could result, since the swaps would lead to big write-offs. Despite yesterday's promises of restructuring, it is not yet clear if the government's gamble will pay off.

Withholding tax

The proposal to exempt the wholesale bond market from a new EU-wide withbolding tax is dangerously seductive. This latest compromise seems designed to whittle away objections from the Londonhased Eurobond market. In principle, it should not. As the problem is tax evasion in some countries - notably Germany - it would be better to tackle it via transparency of information on interest income, as happens in the US. Practical objections also remain. Individual investors who have already moved funds across at least one border will move them again.

The seductive part of the compromise suggestion is that it appears to be aimed at the very people who might be dodging tax. Either they would be deterred from buying the bonds by a high-sounding minimum denomination of €40,000, or their income would somehow be branded "retail" and subjected to withholding tax. Here the practical problems swing in: sophisticated individuals will get round these obstacles; but paying agents, custodians and so on will face considerable hassle. Liquidity will be harmed and borrowing costs will rise.

It is sad that the best hope for limiting the damage of this tax proposal would be for the exemptions to be huge. Notably all existing bonds would have to be exempt to avoid triggering default clauses. EU finance ministers would do better to redouble efforts to improve enforcement and lower the tax rates that encouraged

EBRD may cut lending in response to Russian crisis

Bank president announces cautious 1999 plan and shift in policy

East Europa Editor

European Bank for Reconstruction and Development, the multilateral bank for the countries of the former Soviet bloc, could cut its lending in the wake of the Russian crisis, Horst Köhler, the bank's president warned yesterday.

The bank has also adopted a business strategy, under which it would pay close attention to the health of the countries in which potential corporate borrowers operated.

The Russian crisis was still affecting countries throughout the region, hitting confidence and increasing risk. Mr Köhler told the bank's annual meeting in London.

"In accordance with our mandate we cannot compromise sound banking principles. That means that we have to be even more selective than in the past: quality, as well as volume of projects, is important."

The bank's 1999 plan envisages the possibility of cutting new loans from business climate improves.

Mr Köhler said: "The volume of new commitments in 1999 will depend on the investment climate determined by our countries of operations."

The 1999 plan follows a review of the bank's operations carried out since Mr Köhler's arrival at the EBRD, which coincided with last

summer's Russian crisis. The EBRD, which is jointly owned by countries in the region that borrow from the bank and by developed nations that provide finance, lost €261.2m in 1998, after setting aside €553.1m in provisions for bad and doubtful debts. Bank officials said restructuring some of these assets would be a significant task for 1999.

The EBRD's cautious 1999 plan met with a warm welcome from western Europe, Yves-Thibault de Silguy, the European commissioner responsible for financial affairs, said the bank's ambition had to be

as ELSbn, though it leaves open the But Edwin Truman, the elistent hope of an increase to 62.8hn if the secretary for international attains at the US Treasury, was less enthusia tic. He urged the bank to centin focus on Russia and other less advanced countries rather than the more successful aconomic central Europe.

Andrei Shapovalianta, Ber

aconomy minister, said the KPRD short-term need to enhance its part folio should be kept separate the medium-term requireme

encourage economic transition Mr Köhler also presente medium-term strategy in which a EBRD's involvement in policy discussions with governments, particularly in sectors where the bank was

The medium-term strategy also envisaged focusing on priority areas, including small and medium-sized companies, banks, infrastructure schemes, equity investments. restructuring big industrial enterprises and projects promoting a

India's Congress party claims it can form new government

india's Congress party claimed yesterday it would form a new gov-ernment to replace the ousted Bharatiya Janata party coalition "within days", but said it would approve the BJP's budget tomorrow.

Congress and BJP leaders agreed to pass the February 28 budget of Yashwant Sinha, former BJP finance minister, without any amendments.

The move cheered markets and industry, which had pleaded that the popular budget should not fall victim to India's latest political crisis. The Bombay market rose 3.74 per cent on the news, the BSE Sensex

closing up 124 points at 3,451. The shape of any possible Congress-led coalition remained unclear and there were signs that the BJP had not given up hopes of returning to office. Congress leaders insisted they could count on the support of more than 273 MPs - a slim majority in the lower house of India's fractured parliament.

insisting their party could not back his ministry to proceed with a a Congress government, while Congress leaders did not define the

BJP leaders suggested that Presi-

dent K.R. Narayanan might have to reinstal a BJP-led coalition - despite losing a confidence vote on Satur-The only viable alternative [gov-

shape of its proposed government.

ernment] that can be sworn in is that led by Atal Bahari Vajpayee," (the outgoing prime minister) said Pramod Mahajan, a senior BJP

Sonia Gandhi, Congress president and possibly the party's prime ministerial candidate, said the party was ready to "discharge our constitutional obligations", but was still awaiting a formal invitation from the president.

The BJP - now acting as a caretaker government - also sought to offer some continuity on foreign pol-

Jaswant Singh, foreign minister in

planned joint working group meet-ing with neighbouring China this month, the first since India's nuclear tests last May.

But Washington, in particular, is concerned over the prospects for India signing the Comprehensive Test Ban Treaty. Madeleine Albright, US secretary of state, yesterday convened a special meeting on south Asia to discuss recent events in the region - including India and Pakistan's missile tests and the conviction of Benezir Bhutto, former Pakistan prime min-

MORE PARTY CONTRACTOR

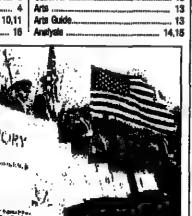
THE SPACE OF LAND COMP

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ister, on corruption charges. US officials believe it will be impossible to get india's signature on the treaty by May, as had been hoped. There is also doubt over whether India can be brought to sign the treaty by its September deadline - particularly under a government led by Congress, which harbours strong opposition to the test ban

News Features

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US veterans who clied of illnesses related to the Vietnam War we

Companies & Finance FINANCIAL TIMES European Company News

via FT Electronic Publishing

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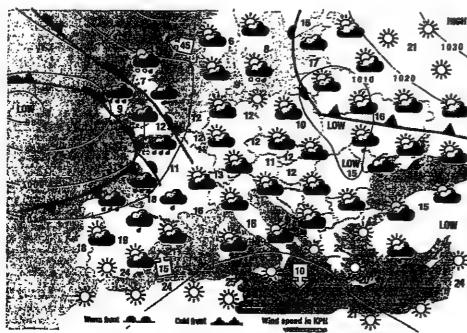
FT WEATHER GUIDE

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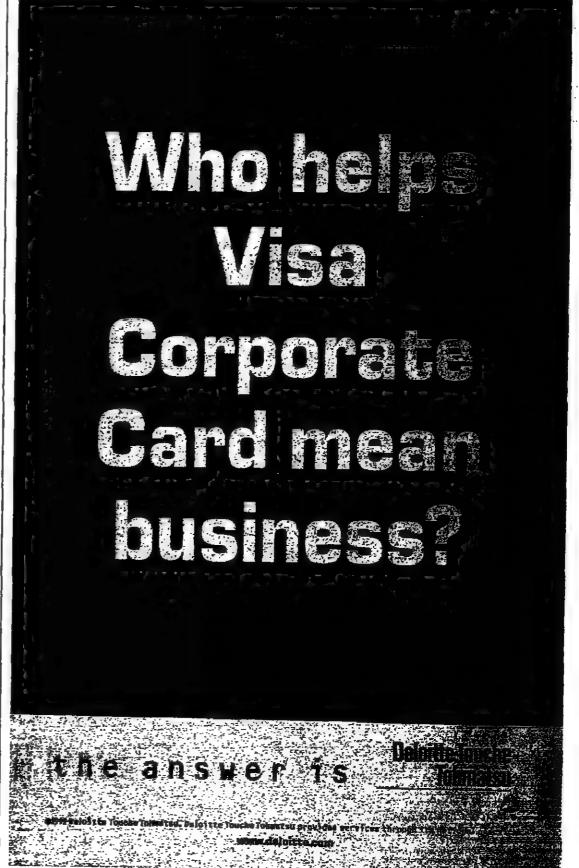
France will be cloudy with outbreaks of heavy rain. During into the Low Countries, western vill have sunny spells and showers, but farther north-east it chilly but bright with Isolated Northern Portugal and norther

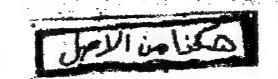
Five-day forecast

Low pressure across central and north-western Europe will will be occasional showers in the central and we



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COMPANIES & MARKETS

TUESDAY APRIL 20 1999

PUBLICLY TRADED IN THE U.S.A. SEC Registered Public Company Merger or "Customized Registered Spinos?" for companie BrokerLink/Pierce Mill

U.S., Tel (310) 556-6820 Fax (310) 556-6823

INSIDE

Dasa ready for rapid ascent in Japan DaimlerChrysler Aerospace (Dasa) is aiming to lift sales in Japan in the next decade to \$1bn, climbing from its present level of Y15bn (\$127m). Its ambitions accord with the Dalmier-Chrysler group's goal to increase turnover in the Asian markets from 3.3 per cent of overall turnover to between 20 and 25 per cent. Page 22

Bombay revives on budget hopes



BSE-30 Index rose 124 points, or almost 4 per cent, to 3,451 yesterday on news that a market-friendly budget would be approved this week despite the fall of the government. The ise followed a market bloodbath on Saturday when Atal Behari

prime minister, lost a vote of confidence, investors fear prolonged instability whoever forms a government. Emerging market focus, Page 40

Pension funds test managers' mettle Pension fund managers in Britain are worried by the consequences of the dispute between the Unliever pension fund and Mercury Asset Management over performance levels, Page 24

Indonesian groups seek debt pacts Bakrie & Brothers, the diversified conglomerate, hopes to be the first large indonesian company to obtain creditor approval today for a restructuring of \$1.15bn in debt. It will be followed by Astra International, the carmaker. Page 22

Scramble for commodity stocks

The equity markets have decided that commodities have bottomed. Sydney, Johannesburg and Toronto, home to big resource companies, are seeing a revival in commodity producer equities as international institutions acramble to correct their underweight positions. Page 30

Pakistan delays the inevitable

Pakistan gained only brief respite from Paris Club pressure to restructure its international bonds by postponing a meeting with its western donors in Parla this week on ways of restructuring its \$3.3bn of foreign debt, Page 28

Amerada salis into Brazillan waters Amerada Hess, the US energy group, yesterday began exploring for oil and gas in the waters off Brazil's coast, making it the first foreign company to enter the country's principal offshore oll-producing basins, Page 20

india to hold back sugar imports india, the largest producer and consumer of augar, is planning to restrict further augar Imports. Domestic producers are annoyed by a fall in prices triggered by the entiral of 1.4m tonnee of foreign sugar outside the 2.2m tonn contracted by traders, Commodities, Page 30

COMPANIES IN THIS ISSUE

European retail groups consolidate

Europe's retail sector is braced

for consolidation as some of the region's leading companies resterday announced alliances aimed at creating a retailing superleague.
Kinglisher and Agds, two of

Britain's best known retailers,

revealed details of a merger deal to create Europe's biggest atores group by operating profit and fourth by sales. In Germany, Karstadt, the country's biggest department store operator, and Qualla, the second largest mail order group, announced plans to merge their mail order busi-

nesses. The deal would create

turnover of DM33hn (616.5hp, middle you will get killed." \$18bn), rivalling the world

leader Otto Versa In France, two food retailers. Casino and Cora, set up a purchasing joint venture to buy supplies of some FFr170bn (€26bn, \$28bn) a year for hypermarkets, supermarkets and convenience access

Analysts said the alliances were the beginning of a pen-European consolidation driven by a need for scale in an increasingly global economy. "Retailing is polarising and everything has got to be very, very big or very, very niche,

Mid-sized companies could not Combining the two companies hope to fight against the power of a competitor such as Wal-Mart of the US, the world's biggest retailer. "Some 15 per turnover goes to Wal-Mart," he said. "With power like that you can really hit people."

Several other retailers are thought to be searching for ways to make pan-European mergers work. Tesco, the UK's largest food retailer, last week admitted: "Everyone is talking to everyone".

outlined their merger plans. creates one of the world's top 10 retailers by market value, expected to fall at about £19hn (\$30bn). The companies said pro forma sales would be more than £17bn, while analysts forecast more than 219hm for the year 1989/2000.

Kingfisher shares finished down 44p at 796p, a fall of some 9 per cent since the day becommon user last self sychol last week. It is understood a Goldman Sachs fund manager who does not like the deal was

By Pegay Hollager and Andrew Alliance plans in UK, Germany and France Meanwhile, speculation in the market that a rival bid would emerge for Asda appeared to

> Analysts in New York said it would be surprising if Wal Mart were to break up an agreed deal between two UK retailers. "It would be out of character," said Patrick McCornack of BT Alex Brown. Wayne Hood of Prudential Securities said: "I think any-thing is possible, but it would

not be typical of Wal-Mart." He added, however, that acquisitions in the UK was almost certain to form part of Wal-Mart's long-term strategy for international expansion.

German mail order deal, Page 18

Hyundai and Daewoo announce restructuring

S Korean conglomerates will sell assets to cut debt

Hyundai and Daewoo, South Korea's two biggest conglomerates, or chasbol, yesterday announced restructuring plans to cut their large debts in response to growing government pressure. The proposals came after

Kim Dae-jung, the Rorean president, warned that the government was prepared to take management control of chaebol units through a debtfor-equity awap with state banks if they failed to meet a mandated gearing ratio of 200 per cent by the end of 1999. Hyundai and Deswoo have been criticised for backsliding on promised restructuring among the top five chaebol since their debts grew signifi-

Second ranked Daewoo said it would raise more than Won9,000bn (\$7.8bn) in asset sales to help halve its debts of per cent to Won?2,582bm, the Won80,000bm, or five times its biggest among the chaebol, due aquisty. Units to be sold include to an acquisition spree. Its

cantly in 1996. Officials have

praised the progress of other

its profitable shipbuilding division, two Hilton hotels in Korea, a life insurance firm and a telecome equipment company. The announcement was made by group chairman Kim Woo-choong,

The restructuring would leave Deewoo focused on car manufacturing, financial service and trading operations. Daewoo is also negotiating to swap its consumer electronics

Analysts said the asset sales Daewoo's financial troubles after Standard & Poor's, the credit rating agency, last week downgraded the rating of Daewoo Corporation, the group's parent company, to B- from B. Hyundai, the largest chaebol, said it would raise more than Won20,000bn through asset sales, rights leaves and equity investment by foreigners, but gave few details. Hyundai's debts last year grew by 17.5

600 per cent if asset revalua-tions were excluded.

Analysts were sceptical whether Hyundai would be able to miss the funds peeded to cut its debt to Won50.000bn this year. "With Daewoo's debt problems apparently resolved. I expect government pressure will shift to Hyundai," said Jang Ha-sung, a professor of

it might investigate allegations would ease concerns about of insider trading in the shares of Hyundai Electronics by related affiliates and relatives of Chung Ju-yung, the Hyun-dal founder.

Hyundai also needs to raise capital to finance its takeover of LG Semicon, the Korean chipmaker, under a stateproposed merger to reduce overcapacity in the industry. Talks have been stalled over Hyundai's acquisition price.

Lex, Page 16



Citigroup profits climb 12% to \$2.4bn

Citigroup, the financial services conglomerate formed by last year's merger of Citiyesterday launched a bullish its first-quarter earnings came in well shead of expectations.

The company appears to have overcome the most severe problems encountered Strong revenue growth, helped mainly by the company's consumer side, helped the company raise profits 12 per cent.

Sandy Weill, co-chief executive and former head of Travelers, said Citi's sarnings were greater than General Electric's for the quarter. He added that, role in the European marketthe Salomon Smith Barney investment bank, which suf-

cent more than Merrill Lynch for the operior.

John Reed, the other co-chief executive, said the company had benefited from "benism economic conditions, particugies from the merger were yet He suggested that Europe

would be a focus for activity on the corporate and investment banking side of the business. "We clearly aren't strong in Europe. If you look at Goldman Sachs or Morgan Stanley Dean Witter, they have a more significant business in Europe than we do at this point. Now that we have Salomon Smith Barney and Citi together, we are going to try and figure out if we can play a more effective

> He conceded that Citibank had not focused on Europe as

Mr Weill also said he was mately \$300m in Citibank merce. This was a 30 per cent optimistic about Salomon Smith Barney's joint venture with Nikko Securities in which was already profitable. He said: "When the Japanese economy improves, that joint venture will be really out-

The integration of the former Citicorp's corporate bank-Smith Barney was initially a pany, and was highlighted by the departure of Jamie Dimon as Citigroup president last

Mr Well claimed that during the first quarter "there were approximately 60 deals that were done with Citibank and Salomon working together that wouldn't have been done without that"

erated referrals for approxi-

mortgages during the quarter. greater loss than in the equiva-left Weill also said the com-By mid-session, Citigroup's peny continued to invest in new distribution systems, takshares had gained 4 per cent, initiative, which invests in Fortunes diverge, Page 20 research into electronic com-

Doughty planning **Geberit**

Doughty Hanson, the UK private equity firm, is planning an initial public offering in the summer for Geberit, the Swiss sanitary products group it controls.

Doughty bought a 79 per cent stake in Geberit in March 1997 for \$Fr1.8bn (\$1.2bn). Doughty is thought to have originally hoped Geberit would be valued at almost \$1bn on the offering, but last night analysts said it would be valued at closer to \$700m.

The listing is understood to have been pencilled in for the summer and will take place on the Zurich stock exchange. An announcement is expected The issue is to be handled by

Credit Suisse First Boston, the investment bank. This is a coup for CSFB because Warburg Dillon Read had originally been asked to review the options for Geberit. The two are bitter rivals and

Warburg is considered dominant in the Zurich new issues market. The Geberit offering is expected to be the largest new issue in Switzerland since last year's SFr7.5on float of Swisscom, the state-owned telecommunications company.

Geberit has increased its turnover from SFr905m in 1996 to more than SFribn last year. One analyst said: "It has a dominant share of the market for behind-the-wall plumbing systems. That is the trend the industry is progressively mov-ing towards." It also specialises in high-technology automatic flushing systems for

Geberit also has a plastic pipes business. This year it bought Terrain, the plastic pipes subsidiary of Caradon, the UK building materials group, for 227m cash.

The group manufactures caramic bathroom products, but analysts believe it does no regard this business as core. Analysts said the group

would be difficult to value. The offering of Geberit would come 2% years after Doughty floated another Swiss company, Tag Hauer, the watchmaker, on the New York and Zurich stock exchanges. This year it bought Tornes Bechler, the Swiss lathe manudemrer.

Doughty, which opened an office in New York this year, last night declined to com-

Compaq DVD Express

CROSSWORD, Page 30

26 Toyota

achmark Govt bonds Bond futures and options Bond prices and yields Commodities pilces, Myldends announced, UK MS currency rates urobond prices.

Ferroffuldics

First Choice

MARKET STATISTICS 34,35 Emerging Market Conds 28 Foreign exchange 8415 prices . London share service Menaged funds service Money markets New Intl bond Issues Short-term int rates Stock markets at a givent Road Interest Indices FTASAP-A World Indices

more than a home for its for-Compaq at the crossroads after Pfeiffer's departure quarter, and to what effect the a caretaker acquisition last year of Digital crew," Mr Rosen said. "We are

The weekend drama at Compaq Computer, where Eckhard Pfeiffer, chief executive, was ousted by the board of directors, and Earl Mason, chief financial officer.

resigned, did little to cheer shareholders yesterday. Its shares were trading at \$23% in mid-session, down \$% from Friday's close and near a 12-month low of \$22#.

changes may help repair relations between Compaq and Wall Street analysts, whose confidence was shaken by the company's surprise profit warning earlier this month, several uncertainties remain quarter financial results. The company has warned that worse than flagged earnings are expected to be

underperformed in the first

Equipment had on earnings. Analysts have broadly

rejected Compaq's initial explanation for the earnings disappointment. Compaq said industry-wide pricing pres-sures and slack demand for PCs from US corporate buyers were to blame, but there is a growing consensus among industry analysts that Compag's management falled to While the management keep pace with rapid changes in the PC market

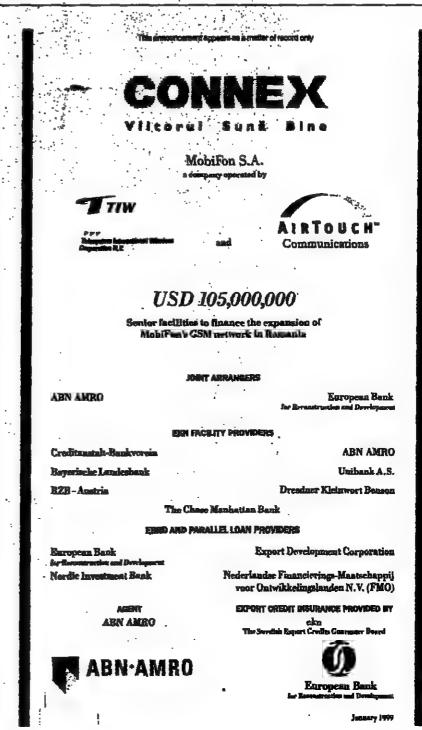
Ben Rosen, Compaq chairman who has taken on the role of interim chief executive while the company searches for a replacement for Mr Pfeiffer, told Wall Street analysis On Wednesday, Compaq is the management changes did scheduled to release its first not signal that first quarter cernings were expected to be

With Mr Pfeiffer's departure, only about 15 cents a share, far the big question is who will below analysis' predictions of run Compaq in the future? In around 31 cents. However, it the maintime Mr Rosen, with remains to be seen which seg two other non-executive direc-ments of Compaq's business tors, will form a temporary "office of the chief executive".

on site fat Compan headquan expected to include additional management changes. Mr Rosen made clear he would be moving to accelerate decision making.

Finding a new chief executive may prove difficult. The company had engaged search firms to look worldwide, Mr Rosen said. Any new chief executive faces the prospect of being second-guessed by Mr Rosen, who has been an active chairman. The next chief executive might also wonder tually follow in the footsteps of Mr Pfelffer and his predecessor, Rod Camion, both ousted

Yesterday Mr Mason was appointed chief executive of Alliant Food Services, a Chicago-based food distribution



RETAILING MERGER SPARKS SPECULATION ABOUT FURTHER EUROPEAN CONSOLIDATION AS CASINO AND CORA LINK BUYING OPERATIONS

Schickedanz, Karstadt in mail order deal

By Tony Barber in Frankfurt and David Owen in Paris

Schickedanz, the privately owned German retailer, merger with the mail order announced plans yesterday house Quelle. to merge its mail order business with Karstadt, Ger- European retailers as invesstore company, in a step that the continent's retail sector, reflects the increasingly long divided into relatively intense competition in small national fragments, Europe's retail sector.

jumped by almost 8 per cent der expansion.

would ask shareholders at groups - Casino and Cora - Schickedanz-Karstadt deal is buying into Karstadt will be after Wal-Mart of the US.

was heading for a phase of Karstadt's share price consolidation and cross-bor-

its annual general meeting said they had agreed to considered virtually certain, completed with the merger," on July 15 to approve the merge their purchasing since Schickedanz has built said Andreas Neuner, a than 3 per cent higher in operations into a joint venture - Opera - which will Shares also rose in other buy supplies for hypermarkets, supermarkets and conmany's biggest department tors expressed optimism that venience stores whose total based in Essen and called at home and abroad." annual sales amount to Karstadt Quelle, would have

up a 48 per cent stake in Schickedanz spokesman. Frankfurt. Karstadt over the past two

FFr170bn (€26bn, \$28bn). a combined turnover of from vesterday's wave of Mart's recent expansion into Cora is 42.3 per cent-owned DM33bn (€16 8bn. \$18bn). confidence on the stock mar- Germany, where its aggresby Carrefour, another making it one of the largest ket was Metro. Karstadt's sive discounting strategy French retailer, which had in Europe.

"We expect a boost in

"The path on which we world's second biggest babits.

after the company said it Two French retailing Approval of the embarked in August 1997 by retailer in terms of sales Shares in Metro closed more

The decision of Metro and employment as a result of other German retailers to The new group, to be joint tapping of new markets streamline their operations and seek new markets in the Among those benefiting euro-zone owes much to Walmain German rival and the has begun to shake up old



Volvo outlines use of Ford cash

By Tim Burt in Stockholm

Volvo, the Swedish automotive group, yesterday announced a SKr26.7bn (\$3.21bn) capital gain on the sale of its car division to Ford of the US and pledged to use the proceeds for a share buy-back and acquisitions in its five remaining business areas.

The company, which is to sell its car arm to Ford for SKr50bn, said the disposal had lifted its net cash reserves to SKr54.1bn at the

end of the first quarter - up ment on Volvo's pursuit of ness - up from SKr636m to from SKr14.8bn at the end of last year.

Leif Johansson, chief executive, re-affirmed plans to stake for SKr5.2bn. buy back SKr10bn of shares and welcomed the Swedish government's decision to introduce legislation permitting such buy-backs.

He also said Volvo would to make bolt-on acquisitions SKr24.6bn to SKr27.1bn. in areas such as trucks. buses and construction equipment.

Scania, the Swedish heavy SKr917m. That offset a poor truck maker in which it has performance by the bus diviacquired a near-13 per cent

no comment yesterday.

Volvo announced a 15 per and restructuring costs. cent increase in underlying first quarter profits, with operating income up from profits in construction equip-SKr1.06hn to SKr1.22hn on use its strong cash position sales ahead 10 per cent from SKr183m amid production

The figures, excluding contributions from the car division, mainly reflected higher But he declined to com- profits in the trucks busi- SKr226.

sion, which reported a SKr67m loss following weak He was speaking after demand in Latin America Industry analysts also expressed concern at failing

> and inventory problems in some markets. Volvo's most commonly traded B shares fell SKr7 to

> ment, down from SKr297m to

Ring in the changes: Emilio Botin, left, and José Mari Amusátegus joint chairmen of Banco Sentander Central Hispano, ves launched the shares of the newly merged bank. BSCH lost ground

Gucci suggests LVMH offers it \$88-a-share

By Alice Rawsthorn in London and David Overn in Perin

The board of Gucci, the embattled Italian fashion day. company, has written to LVMH, the French luxury day, a few days before a critgoods group, promising to ical court case, starting on recommend acceptance of an Thursday, that will deter-LVMH offer if the latter mine the outcome of the raises its conditional \$85-a- Guod battle. share offer to an unconditional one of \$88, thereby valuing Gucci at \$9bn.

The decision to send the

Gucci executive as "put up, cassful offer to secure con- in the court case starting at or shut up for LVMH", was taken at a meeting of Gucci's supervisory board on Sun-

It was dispatched yester-

LVMH described Guccl's latest proposal as "a torpedo without a warhead". The letter. described by one is impossible to mount a suc-

42 per cent stake issued to Pinault-Printemps-Redoute chairman.

The legality of the PPR stake, for which the Pinault group paid \$2.9bn, and a previous issue of 20m shares (the same number that French group claims that it LVMH owns) to Gucci employees will be addressed

trol of Gucci because of the the Amsterdam Court of announcement, LVMH's Appeal on Thursday. LVMH indicated yesterday

cern founded by François amend its \$85 offer before Pinault, a former ally of Thursday's hearing. "There Bernard Arnault, LVMH's is absolutely nothing in Gucci's letter that changes the chances of success for an offer," commented one executive, who alleged that Gucci had sent the letter to distract investors' attention from LVMH' quarterly

After the results cent in selective retailing. shares rose by €21.50, or 10 per cent, to €336.50 in Paris. (PPR), the French retail con- that it was unlikely to Gucci's shares were also up by €3.65, or 5.2 per cent, to €74.40 in Amsterdam.

LVMH mustered a 12.8 per rose to €1.76bn from €1.56bn in the three months to March 31. Improvements ranged from nearly 30 per cent in the champagnes and wines unit (24 per cent on a constant basis) to 3.6 per per cent.

The French group said

that sales of DFS, its dutyfree chain, were ahead of budget, although lower than a year earlier because of the closure of certain stores. It said the year-on-year overall cent advance in sales, which sales advance for March reached 18 per cent.

Turnover in fashion and leather goods, which includes Louis Vuitton luggage and the Givenchy fashion house, increased by 12

TELECOMMUNICATIONS ITALIAN GROUP WILL NOT BACK DOWN DESPITE DEUTSCHE TELEKOM'S MERGER PLAN

Olivetti sticks to hostile bid for Telecom Italia

By Paul Betts in Millen and Vincent National in London

Roberto Colaninno, Olivetti chief executive, insisted yesterday that his company would go ahead with its €60.4bn (\$64.6bn) hostile bid for Telecom Italia despite today's expected announce- ture to boost the Italian ment of a blockbuster voice in any eventual merger operator and Dautsche

The disclosure of the proposed merger had sparked frantic political manoeuvring in Rome amid suggestions that political pressure

was being put on Mr Colan- any assessment of the proinno to negotiate a deal with Telecom Italia's core shareholders to involve Olivetti in the Deutsche Telekom deal. Olivetti, it was argued,

would help reinforce the Italian component in Telecom Italia's shareholding struc-But Mr Coleninno made it clear vesterday that he was carrying on with his hid and wanted the market to decide

was not in a position to give

shared in principle the Italian government's view "that parity and genuine privatisathey doubted whether Oli-trump the proposed merger tion of Deutsche Telekom vetti had the ability to could depend on the extent are prerequisites for such a

taken aback by Telecom Ital-size. ia's talks with Deutsche OTASECT COT merger is a desperate logic of mating two telecom-Officially, Olivetti said it munications elephants.

been frantically trying to yet." shake off its predator. But increase its already highly of its agreement with Manleveraged bid for its target, pesmann, the German opera- Italian stock market regula-

"If the Deutsche Telekom/ interests - which they day to meet its end of April considers the proposed ahead it will likely be all paper," said Roberto There was speculation yes-Odierna, telecoms analyst at terday that Deutsche Teleattempt to thwart its take-over bid and questions the Société Générale in Milan. kom, by linking with Tele-

not yet out of the race to win very hard to increase it, it's whose position in that marposed merger. But it said it Telecom Italia, which has certainly not out of the game ket will be considerably

Telecom Italia is successful. Analysts said Olivetti was nent, and while it will be in Italy from Mannesmann.

strengthened by its purchase Olivetti's freedom to of Olivetti's stake in the Oliman joint vanture.

Olivetti is awaiting final approval from Consob, the Olivetti has clearly been which is five times its tor, to which it is to sell its tor, for its bid prospectus. It Italian mobile telephone needs permission by Thurs-

If it fails, Telecom Italia would no longer be tied rules of the Italian takeover "A strong point of the Oli- com Italia, was seeking to code and would be free once vetti bid is its cash compo- counter a competitive threat again to organise its

NEWS DIGEST

AIRLINES

AUA hopes to raise €250m with new equity

Austrian Airlines (AUA), one of Europe's fastest-growing and most profitable carriers, is seeking to raise around 6250m (\$268m) in new equity to reduce its gearing and help finance expansion. This is the first equity-raising exercise in nearly a decade for the airline, which has staged a dramatic turnround over the last five years. It plans to issue 8m new shares through a rights issue of four new shares for every 13 held.

The new issue, which will double the free float of AUA shares and dilute the Austrian government's stake to under 40 per cent, follows the best year in the airline's 40-year history. Five years ago Austrian Airlines was in serious financial trouble after four years of losses. However, a new management team, led by Herbert Bammer and Mario Rehulka, has transformed a loss-making regional airline into a fast-growing international niche operator. Staff and operating costs have been cut by a fifth,

AUA plans to spend €1.5bn over the next five years modernising its fleet and expanding its size from 83 to 100 alroraft. It is budgeting on growth of 14.6 per cent a year in its regional airline capacity and 13.5 per cent a year in long-haul capacity. William Hall, Vienna

SEMICONDUCTORS

STM proposes 'poison pill'

STMicroelectronics (STM), the Franco-Italian semiconductor manufacturer, outlined proposals yesterday for a "poison pill" to protect it from hostile takeover, triggering speculation that a further reduction in the proportion of its capital held by state-controlled groups could be in the offing. The company said it intended to request authorisation to issue up to 180m new preference shares at par value, entitting the holder to full voting rights. These would be assued to STMicroelectronics Holding II BV, a joint holding company grouping the 56 per cent in STM owned by French and Italian state-controlled entities.

The move prompted speculation that one or more of these entities might be planning to sell some or all of their STM shares. "It would probably not surprise the market if they sold more," said Charles Elliott, an analyst with Goldman Sachs. "And as they sold more, the company may need protection from a hostile takeover."

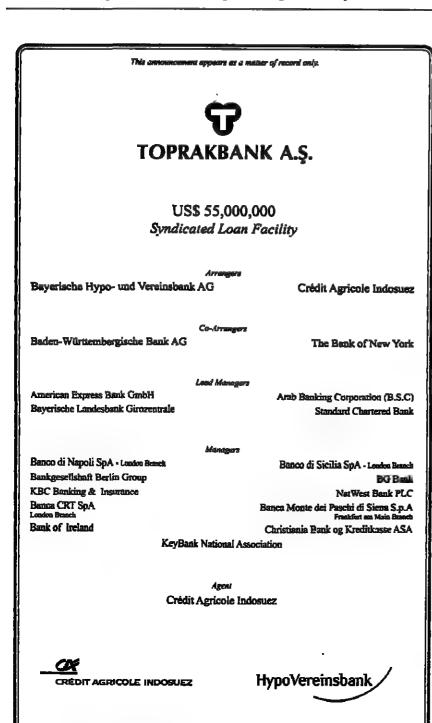
The 12-year-old company also proposed its first dividend - of 16 cents a share in cash - and said it would propose a two-for-one stock split. The effective date of the split would be June 16, a day after the dividend would be payable. All these initiatives are to be presented for shareholder approval at the group's annual general meeting, scheduled for May 31 in Amsterdam. Mr Pistorio said the sim of the proposed stock split was to make STM shares more accessible to a broader group of potential shareholders and to increase trading liquidity.

Yesterday's developments came as the company, the former SGS-Thomson, announced a 16.5 per cent increase from \$90.2m to \$105.1m in first-quarter net income. achieved on net revenues up from \$1.01bn to \$1.11bn. David Owen, Paris

PULP AND PAPER

Soporcel offer brings Es14.5bn A global offer of 13.78 per cent of Soporcel, the Portu-

guese pulp and paper group, ralsed Es14.5on (€72m, \$77m) yesterday. The institutional offer of 4.84m shares was more than five times subscribed, and small investors placed orders for more than nine times the 4m shares on offer in the retail tranche. The price was fixed at Es1.665 a share, at the lower end of the pre-established range but a discount of more than 13 per cent on Friday's closing price of Es1,924. The shares closed at Es1,804 yesterday. Global co-ordinators were Banco Clar and BES Investimento, both Portuguese Investment banks, and Schroders of the UK. The Portuguese state and Arjo Wiggins Appleton, the Angio-French paper group, sold 11 and 3 per cent respectively to reduce their stakes in Soporcel to 40 per cent each, Peter Wise, Lisbon



PIRELLI TYRE HOLDING N.V. Established in Amsterdam

Shareholders are herewith invited to attend the annual

General Meeting of Shareholders

to be held on Friday 7 May 1999 at 15.00 hours in the New York banquet room of the World Trade Center, Strawinskylann I, Amsterdam.

The agenda is as follows:

1. Opening

2. Report of the Board of Management for 1998

3. Discharge

4. Adoption of the annual accounts for 1998 and allocation of the net result 5. (Re)appointment of members of the Supervisory Board

6. Appointment of members of the Board of Management 7. Reduction of share capital by amendment to the articles of association

8. Change of auditors 9. Announcements, questions, close

Regarding the (re)apponintment of the members of the Supervisory Board and the Managing Board, no binding nomination has been made.

It is proposed to reduce the value of the shares from NLC 10.- to € 4.50, in connection with the introduction of the Euro. The difference per share ad € 0.04 will be aded to the share premium reserve. This reduction of the share capital will be effected by an amendment to the articles of association. The annual report, including the comprehensive agenda for this meeting,

and the financial statements for the year 1998 as well as the details with respect to the members of the Supervisory Board to be (re)appointed are available for inspection at and may be obtained free of charge from the Company's office and the principal offices of the below mentioned banks.

Holders of bearer shares who (in person or by proxy) wish to attend the meeting must have lodged their shares not later than Monday 3 May 1999 at one of the following banks who will subsequently send them a receipt which will serve as entrance ticket:

in the Netherlands at MeesPierson N.V., Amsterdam in Belgium at Generale Bank. Brussels

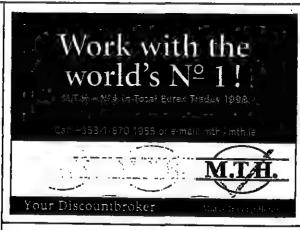
in Germany at Dresdoer Bank A.G., Frankfort a.M. in Italy at Credito Italiano, Milan

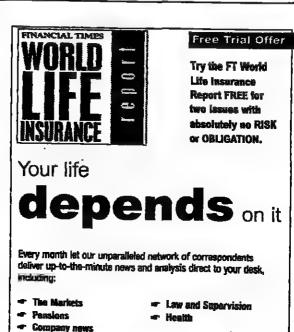
in Switzerland at Swiss Bank Corporation, Zürich

The Board of Management The Supercisory Board

20 April 1999 3-N, Merkedeweg 3621 LP Breukelen







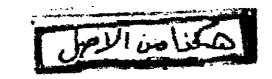
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FINANCIAL TIMES

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An investment bank of global intelligence.

All investment banks say they do the same things. One does them differently. Warburg Dillon Read has a global mandate, yet our thinking is a world apart from standardized, rigid and restrictive. In local markets, we have local knowledge. In global markets, we offer global resources. No firm can commit more. You'll also find us more individual, more innovative; in fact, the more intelligent choice.



Warburg Dillon Read

Notice of Invitation by

Federative Republic of Brazil

U.S.\$5,430,657,000 EI Series L Bonds Due 2006 (the "EI Bonds") and U.S.\$7,126,924,000 Series A-L IDU Bonds Due 2001 (the "IDU Bonds")

to tender EI Bonds and IDU Bonds (collectively, "Brady Bonds") in exchange for U.S. Dollar-Denominated Global Bonds Due 2004 (the "Global Bonds").

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 3:00 P.M. (NEW YORK CITY TIME) ON APRIL 23, 1999, UNLESS EXTENDED OR EARLIER TERMINATED.

The Federative Republic of Brazil (the "Republic") is inviting owners of Brady Bonds (each, a "Bondholder") in render their Brady Bonds in exchange for Global Bonds, on the terms and subject to the conditions set forth in a Prospectus Supplement dated April 19, 1999, the accompanying Prospectus and the related letter of transmittal (the "Exchange Offer"), copies of which may be obtained as described below. Simultaneously with the Exchange Offer, the Republic is offering to the public, by means of the Prospectus Supplement and accompanying Prospectus, additional amounts of Global Bonds to be purchased for cash through an underwritten offering tithe "Global Bond Offering"). The Global Bonds will be direct, unsecured, general and unconditional obligations of the Republic. Interest on the Global Bonds will accrue from the Settlement Date (as defined below) and will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15. 1999. The Global Bonds will mature on April 15, 2004 and will not be redeemable prior to maturity or entitled to the benefit of any sinking fund.

Calculation of Principal Amount of Global Bonds To Be Received in Exchange for Brady Bonds

Global Bond Spread and Brady Bond Spreads: At or around 3:00 P.M., New York City time, on the Trading Day (as defined below) before the Expiration Date (as defined below), the Republic at its discretion will set the interest rate of the Global Bonds and the issue prace, yield to manurity and principal amount of the Global Bonds to be issued for cash. At this time, the Global Bond Spread will be set and will be

yield to maturity and principal amount of the Global Bonds to be issued for cash. At this tune, the Global Bond spread will be set and will be equal to the yield to maturity described in the previous sentence anany the UST Benchmark Rare as of the time such yield to maturity is set. By 5:00 P.M., New York Gity time, on the same day, the Republic will set each Brady Bond Spread Differential, which will be used in the determination of each Brady Bond Purchase Price and, ultimately, each Brady Bond Exchange Ratio, all as more fully described below.

Principal Amount of Global Bonds To Be Received: Each Bondholder exchanging Brady Bonds for Global Bonds pursuant to the Exchange Offer will receive, for each U.S.\$1,000 and the interpolation of Brady Bonds rendered for exchange, a principal amount of Global Bonds equal to the product of (a) U.S.\$1,000 and the the applicable Brady Bond Exchange Ratio, provided because that the aggregate principal amount of Global Bonds issuable to such Bondholder will be rounded down to the nearest multiple of U.S.\$1,000, and the difference that results from such rounding, multiplied by the Global Bond Exchange Price and divided by 1,000, will be paid in cash. In addition, each Bondholder exchanging Brady Bonds for Global Bonds pursuant to the Exchange Offer will receive in cash accrued but unput interest on such Brady Bonds to that not unput interests on such Brady Bonds to that not unput interests on such Brady Bonds for Global Bonds but be Settlement Date of the Exchange Offer, which will also be the settlement date of the Global Bond Brady Boods to (but not uncluding) the Settlement Date of the Exchange Offer, which will also be the settlement date of the Global Bond

Brady Boods to that not uncluding) the Settlement Date of the Exchange Offer, which will also be the settlement date of the Global Bond Offering.

Brady Bood Exchange Ratios: The "Brady Bood Exchange Ratio" for the El Bonds will equal the product of (a) the quotient resulting from the division of the Brady Bond Purchase Price for the El Bonds. The "Brady Bond Exchange Price and the 10.9%, being the amorization factor that will be in effect as of the Settlement Date for the El Bonds. The "Brady Bond Exchange Ratio" for the IDU Bonds will equal the product of (a) the quotient resulting from the division of the Brady Bond Purchase Price for the IDU Bonds by the Global Bond Exchange Price and (b) 0.492, being the amortization factor that will be in effect as of the Settlement Date for the IDU Bonds.

Brady Bond Purchase Price: The "Brady Bond Purchase Price" will equal the value (adjusted for accrued interest, if any) per U.S.\$1,000 original principal amount of the El Bonds or IDU Bonds, as the case may be, of all remaining payments of principal of and interest as such bond to be made through its marrinry date discounted to the Settlement Date ar the applicable Brady Bond Purchase Yield, assumpthat (a) all payments under this bond are made when scheduled and (b) the interest payments on this bond twhich adjust semi-annually) are swapped to a fixed rate of interest using the applicable Bloomberg pricing page, after entering the applicable Brady Bond Purchase Yield, assumpthat (a) all payments and the Par Swap Curve into that pricing page. The "Par Swap Curve will be a series of nates for par interest rate swaps, based on the retenge of quotes on the Expiration Date obtained from three dealers (selected by the Dealer Managers), for interest rate swaps, maturing in six months, one year, two years, five years and ten years, under which the dealer would pay U.S. dollar freed are interest as payments and receive U.S. dollar three-month LIBOR interest payments.

Brady Bond Purchase Yields and Spread Differential Each "Bra

Limits on the Exchange Offer, Proration; Participation by the Republic and the Dealer Managers

The aggregate principal amount of Global Bonds to be issuable pursuant to the Exchange Offer and the Global Bond Offering may not be less than U.S.\$1,000,000,000. The Republic reserves the right at its sole discretion not to accept any tenders for exchange, the Republic at its sole discretion will select the aggregate principal amount (which may be zero) of Brady Bonds of each type to be acquired pursuant to the Exchange Offer. If the aggregate amount of Global Bonds to be exchanged for a type of Brady Bonds exceeds the amount selected by the Republic with respect to that type, the tenders for exchange of that type of Brady Bonds will be publicated to the selected by the Republic with respect to that type, the tenders for exchange of that type of Brady Bonds will be publicated to the selected by the Republic with respect to that type, the tenders for exchange of that type of Brady Bonds of the type of Brady Bonds will be publicated to the selected by the Republic with respect to that type, the tenders for exchange of that type of Brady Bonds of the type of Brady Bonds and the selected by the Republic with respect to that type, the tenders for exchange of that type of Brady Bonds of the type of Brady Bonds with the type of Brady Bonds will be publicated by the Republic with respect to that type, the tenders for exchange of the type of Brady Bonds of

None of the Republic, Banco Cantral do Brasil or any of the Republic's governmental agencies will be permitted to sub-

The Republic may accept renders for exchange submitted by the Dealer Managers made in accordance with the Exchange Offer. If Bondholders render Bridy Bonds such that at least U.S.\$700,000,000 in aggregate principal amount of Global Bonds are issuable from the Exchange Offer, the Republic will have the option to require the Dealer Managers to tender Bridy Bonds in an aggregate original principal amount such that the Dealer Managers will receive, pursuant to the terms of the Exchange Offer, the lesser of (s) U.S.\$250,000,000 aggregate principal amount of Global Bonds and (b) that amount of additional Global Bonds as would be necessary to ensure that an aggregate of U.S.\$1,000,000,000 of Global Bonds he issued pursuant to the Global Bond Offering and the Exchange Offer.

A Bondholder desiring to submit a tender for exchange of its Brady Bonds must, at or before the Expiration Date, deliver a duly completed letter of transmittal to the Exchange Agent. Any letter of transmittal with respect to Brady Bonds held at Euroclear System ("Euroclear) or Cedel Bank, saided analysis ("Cedelbank") must be completed by the direct participant in Euroclear or Cedelbank through which the Brady Bonds are held. In the case of Brady Bonds not held at Euroclear or Cedelbank, a Bondholder wishing to submit a tender for exchange must either (a) first strange to have the Brady Bonds held at Euroclear or Cedelbank or (b) contact the Information Agent concerning other acceptable procedures for rendering and delivering Brady Bonds. In addition, the direct participant in Euroclear or Cedelbank completing the letter of transmittal must deliver to Euroclear or Cedelbank, as the case may be, Bond Instructions (as defined in the Exchange Offer materials). In no event abould letters of transmittal be transmitted to the Information Agent, the Dealer Managers. Benco Central do Brasil, any other agency of the Republic or Euroclear or Cedelbank.

Term of Exchange Offer, Termination; Amendment

The Exchange Offer will expire at 5:00 P.M., New York City time, on April 23, 1999, unless excended by the Republic in its sole discretion or earlier remainance (such date and time, as so extended, the "Expiration Date"). The Republic may in its sole discretion to renders for exchange offer (including with respect to renders for exchange submitted prior to the time of such termination), extend it past the originally scheduled Expiration Date or amend it from time to time in any fashion, at any time before the Republic announces the acceptance of any renders for exchange, by press release issued to Bloomberg News, the Dow Jones News Service and the Reuters News Service (collectively, the

At the end of each Trading Day from the date of the Prospectus Supplement through the Expiration Date, information about the Exchange Offer (including an updated hypotherical example of the Brady Bond Purchase Prices, the Global Bond Exchange Price and the Brady Bond Exchange Ratios) will be displayed on Telerare pages 58876 and 58877.

Not later than 5:00 P.M., New York City time, on the Trading Day immediately preceding the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Services, the Global Bond interest rate, the Global Bond Spread and each Brady Bond Spread Differential. And, not later than 6:00 P.M., New York City time, on the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Services, whether any Brady Bonds have been accepted for exchange, and, if so, (a) the Global Bond Exchange Price and Exchange Yield, (b) each Brady Bond Purchase Price and Purchase Yield, (c) each Brady Bond Exchange Ratio and (d) the UST Benchmark Rate and the Par Swap Curve as of the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Services, the results of the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Services, the results of the Exchange Offer. The results will also be published in the Laxuarianse Worl.

The "Settlement Date" for the Exchange Offer will be the fifth Trading Day following the Expiration Date (or, if such Trading Day is not a Business Day, the next succeeding Trading Day which is a Business Day. As used herein, "Business Day" means any day on which Euroclear, Cedelbank, the fiscal agent for the Global Bonds, the Exchange Agent and commercial banks in the State of New York are all open for business; and "Trading Day" means a day other than a Sarurday, a Sunday or a day on which the New York Stock Enchange is not open for

Neither the Republic nor the Dealer Managers make any recommendation that Boudholders offer to exchange Brady Box for Global Bonds or refrain from offering to do so pursuant to the Exchange Offer, and no one has been authorized by the Republic or the Dealer Managers to make any such recommendation. Bondholders must make their own decisions as to whether to exchange Brady Bonds for Global Bonds pursuant to the Exchange Offer, and, if so, the principal amount of Brady Bonds to offer to

exchange.

Bondholders may contact (a) the Exchange Agent for assistance in completing and delivering letters of transmittal, (b) either Dealer Manager for answers to questions concerning the terms of the Exchange Offer and (c) the Information Agent or either Dealer Manager for additional copies of the Exchange Offer statemals, in each case at the relephone numbers listed below.

Facsimile copies of letters of transmittal will be accepted. Letters of transmittal and any communications related thereto should be sent or delivered in the Exchange Agent at the address set forth below.

Approximately 90 ISINs are assigned to the IDU Bonds, a list of which is provided in the Prospectus Supplement.

The Information Agent for the Exchange Office at ChaseMellon Shareholder Services c/o Chase Business Services Chaseside Bournemouth Dorset, England BH7 7DB e: 44-1202-345-277 Inside the U.S.: Toll-Free 800-851-9671

The Exchange Agent for the Exchange Offer is: Citibank, N.A. P.O. Box 18055 5 Carmeline Street London, England EC4Y OPA on: Global Agency and Trust Services, Referen Facsimile: 44-171-508-3894

The Dealer Managers for the Exchange Offer are:

Salomon Smith Barney 390 Greenwich Street New York, New York 10013 Inside the U.S.: Toll-Free 800-558-3745 Outside the U.S.: Call Collect (212) 723-6106 Morgan Stanley Dean Witter 1585 Broadway New York, New York 10036 ide the U.S.: Toll-Free 877-693-7733

Ourside the U.S.: Call Collect (212) 761-1652

April 20, 1999

Telephone: 44-171-508-3896

COMPANIES & FINANCE: THE AMERICAS

FINANCIAL SERVICES CITIGROUP OUTSTRIPS RESULTS OF BANKAMERICA

Big banks' fortunes diverge

Citigroup and BankAmerica. the two largest US banks. yesterday produced dramatthe first quarter.

Both were formed by mega-mergers" announced last April and completed in October (Citicorp merged with Travelers, and Nations-Bank merged with Bank-America). During the first quarter they both benefited from healthy conditions for banks in the US and from the rebound in global capital markets. Both produced earnings ahead of expectations and saw their shares rise more than 3 per cent in early trading.

But the two banks' share price performance for the year to date is more revealing. Citigroup's share price has gained about 52 per cent while BankAmerica's bas risen 26 per cent.

This reflects the differing strategies the two companies are taking in integrating

Rank America, true to the aggressive cost-cutting style of Hugh McColl, its chief executive and the former head of NationsBank, managed a sharp reduction in costs, but this was combined against the trend for US banking - with a decline in

loans and deposits, was quarter last year, to



while non-interest income, from such activities as Citigroup rose by 15 per cent investment banking and fund management, fell 8 per cent to \$3,22hn.

Total non-interest expense fell by more than 5 per cent to \$4.45bn, thanks in part to cost savings from acquisitions NationsBank carried out before the merger with more than 4 per cent. The efficiency ratio, expressing non-interest expenses as a proportion of total revenues, fell over the year from 57.72

As a result, operating profits, excluding merger charges, slipped slightly Net interest income, from from \$1.973bn in the first

to 56.59 per cent.

Meanwhile, revenues at compared with the combined companies a year earlier, to \$14.5bn, thanks mainly to the 21 per cent growth in its global consumer operations. Profits, excluding charges, rose 12 per cent to \$2.42bn.

Thomas Hanley, banking analyst at Warburg Dillon Bank America, while expense Read, said: "The comparison on personnel dropped by is there and it's a dramatic one. If you are too heavyhanded in terms of the expense-cutting, it's going to be ultimately done at the expense of revenue generation and perhaps even credit quality. That's the key

> Mr McColl said the merger transition was "on track", and added that he expected

opportunities" to boost earnings in coming quarters.

At Citigroup, consumer businesses were boosted by a 75 per cent increase in profits from North American credit cards, which benefited from the acquisition of a large portfolio from AT&T last year. Its total revenues rose by 40 per cent, on the .. back of a 48 per cent growth in receivables to \$69bn._ ..-

Citibanking, the company's branch network, saw a 200 per cent increase in income to \$75m, driven both by a 12 per cent reduction in fixed expenses and revenue growth of 7 per cent.

Beyond the consumer businesses, the bank benefited from a sharp rebound at its Salomon Smith Barney investment brokerage, which suffered more than most Wall Street firms during last year's Russian financial crisis. Its earnings for the quarter reached \$648m, a 46 per cent increase over the first quarter of last year, on the back of revenues which increased from \$2.9bn to

Emerging markets income increased 22 per cent from the first quarter of last year. to \$321m Revenues rose 18 per cent, while expenses rose: 5 per cent as the company attempted to expand. Credit write-offs increased significantly over the year, by \$53m to \$115m, mostly due to:

DTT to integrate firms into global structure

By Jan Kelly, Accountancy Correspondent

Deloitte Touche Tohmatsu, the global Big Five firm, has announced plans to integrate financially its national firms into a single organisa- to integrate. tion covering 90 per cent of its \$900 revenues within two reforms as more pragmatic to three years.

The firm, which stood aside from the bout of megamergers in the sector in 1997-98, will immediately start aligning the individual firms' rules and procedures under a new global manage-

Jim Copeland, chief executive of the US firm, has been rivals. confirmed as global chief London, representing 10,000

flexible, nimble, responsive their footsteps." and global," he said.

All of DTT's Big Five office on the back of outrivals have made moves standing results from DTT towards global integration, with Arthur Andersen and Ernst & Young and KPMG have also announced plans

DTT sees its two-stage and long-lasting.

Ed Kangas, who steps down as global chief executive after more than a decade but continues as chairman of the board, said getting the individual firms aligned would lead to genuine integration and avoid the "dogfights" which have hit

rise in revenues in 1998, "It - mm. "To keep pace with clients has worked brilliantly and

Mr Copeland comes to the said.

which saw revenues rise by 22 per cent in 1998. The firm PwC being seen as leaders. is fourth in the global revenue league above Arthur Andersen. Profits are not While he said he hoped

organic growth would continue, he did not rule out the kind of poaching of rival practices being pursued by Arthur Anderse

"Certainly if there were opportunities that popped up we would consider them," he

In the long term, Mr Copeland said that if regulators had serious concerns about DTT is likely to base its auditor independence within executive after a vote of integration on the highly the Big Five then DTT could senior partners meeting in successful globalisation of again build on its experience its separate consulting prac- with consulting to create a partners and 82,000 staff tice which saw a 40 per cent separate but linked audit

"If it's required then we must become even more we believe we can follow in Deloitte & Touche Consulting is a good model," he

AUCS may be sold to Infonet

AT&T-Unisourca Communications Services. the European telecommunications group owned jointly by US carrier AT&T and European alliance Unisource, is likely to be sold to Infonet Services Corporation, an international carrier based in California,

No financial details have been disclosed but the two groups have signed a memorandum of understanding and completion is expected

in the third quarter. Due diligence has to be completed and regulatory matters have to be reselved. The sale has been prompted by AT&T's decision to withdraw from the WorldPartners Allianca, which it led, in order to form a partnership with British Telecom-

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munications. AT&T's withdrawal prompted a change of strategy at Unisource whose ownlands, Telia of Sweden and Swisscom - decided late last year to seek a financial partner to take a majority stake in the business. It is understood that Unisource has found a partner which will be named after the comple-

tion of due diligence. The acquisition of AUCS by Infonet would create a global voice and data carrier capable of delivering communications services to more than 50 per cent of the world's leading enterprises. It would be a competitor of Equant, the carrier based on the airline's international network and, eventually, of the global network being established by AT&T and

The picture is complicated by the fact that Infonet is owned by the three owners of Unisource together with Telefónica of Spain, Telstra Japan. Separately, KDD and Singapore Telecoms have The interest rate on the debenture will be 2 per cent to see more," said John to purchase up to an addianounced plans to collaid above the Cominco dividend Lydall, analyst with thouse CS25m in debentures. announced plans to collabo-

Teck to raise C\$125m via convertible debenture

Teck Corporation, the Canadian gold and copper by TD Securities and Grif- attractive because the comproducer, said yesterday it fiths McBurney & Partners. pany in effect monetises a would go to the Canadian C\$125m (US\$84m) convert- unable to raise funds assuming any additional ible debenture, the first big through corporate debt or debt load beyond a modest placement by a Canadian

inco, the Canadian copper producer in which Teck prices. owns a 39 per cent share.

cash equivalent or an equiv- ing and metals issues. alent value of Teck subordinate voting shares.

rate, or 3.28 per cent cur- First Marathon Securities. rently. The private placement is being underwritten structure is particularly Canadian mining compa-

new equity issues because of interest payment. minerals company since met-als prices were hit by the and low share prices. But looking increasingly attrac-Asian financial crisis in 1997. most have also been paring tive after Cominco reported The offering will be operating expenses in an stronger than expected backed by shares in Com- effort to position themselves results in the fourth quarter effort to position themselves results in the fourth quarter for a rebound in metals last year.

The debenture will be placement was evidence of a though im Cominco shares exchangeable for Cominco strengthening market for through private transactions shares or, at Teck's option, cyclical stocks such as min- and would seek to acquire "This is the first company

portion of its assets, allowcapital markets with a nies have generally been ing it to raise money without

The convertible debenture

Teck announced yesterday Analysts said that the it would purchase an addianother 500,000.

If Teck buys more than 1m where we've seen this shares, the underwriters of

Amerada in offshore Brazil move

By John Barbara in São Paulo

energy group, yesterday began exploring for oil and gas in the deep waters off develop other oil and gas opportunities in Brazil were cest.

Brazil's coast, making it the producing regions but had never really understood Pet first foreign company to enter the country's principal

ary with Petrobras, the national oil company, to Ibn barrels a day. The Sanexplore two blocks in the offshore Santos and Campos basins for three years on a joint venture basis with Petrobras and two other private sector partners.

Rex Gaisford, Amerada Hess executive vice president for the western hemi-

[development] costs of companies with greater to rely more on joint venture \$1.5bn. Petrobrás has signed joint eventually find enough oil to

ventures with other foreign make the country self-suffikept the Campos and Santos basins off-limits.

coast of Rio de Janeiro, now ment] and we were among zil's daily oil production of looking at it." Paulo state, is less explored and produces gas. Petrobras, an international specialist in deep-water oil

Mr Gaisford said foreign production alone, forcing it ised in a contract.

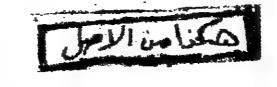
He believes Brazil would tos basin, off the coast of São attract investments of \$5bn- ada's talks with Petrobrás \$10bn over five years if oil is and the government lasted ties:

financial resources could agreements or return to the government areas it claimed for prospecting during the companies to explore or cient. "The prospecting industry's liberalisation pro-

Petrobrás lost its constitubecause it was a closed envi-tional monopoly in 1995 and ronment [until] it was the government plans to offshore oil-producing The Campos basin, off the opened [to foreign invest- reduce its holding to 51 per It signed a deal in Febru- produces 70 per cent of Bra- the first people to start per cent stake on local and cent this year by selling a 30 international markets.

Mr Gaisford said Amerfound in commercial quantistill holding out for improve-Petrobras plans to invest ments in the contract.

production, has invested R\$2.3bn (\$1.38bn) this year to Amerada wants: the three-\$20bn in the Campos basin raise oil production 20 per year exploration period to be since 1973, which has cent to 1.2bn bpd, increasing extended; wants the tax reserves of 13.9bn barrels of to 1.5bn bpd in 2000. How-regime to be altered; and sphere, said: "We hope to oil equivalent at water ever, analysts doubt it will wants the right to export be able sharply to increase any oil it finds to be formal-



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Dana Corporation lifted 15% by firm US demand

Strong US demand helped Dana Corporation, the automotive parts supplier, to a 15 per cent increase in first-quarter profits, to \$162m. Earnings per share were up from 84 to 97 cents, with sales overall increasing by nearly 5 per cent to \$3,4bn. The news came as Dana said its board had authorised a \$350m stock buy-back plan, to run over the next 12-18 months. The results were roughly in line with analysts' expectations, but Dana shares jumped sharply, by \$4% to \$51%, on the combined news.

Dana said its South American operations had remained in the black, and its European business had benefited from recent acquisitions and performance improvement, in spite of the sluggish economic conditions. Dana also joined the list of companies reporting some advance in Asia. "Demand in Asia-Pacific has shown some recent improve ment," said Joe Magliochetti, chief executive.

The company saw a sharp improvement in margins in the aftermarket business, to around 10 per cent, and its overall operating margin was up from 8 to 8.3 per cent. Nikki Tait, Chicago

MOTOR INDUSTRY

GM, Toyota in 'clean car' deal

General Motors and Toyota have signed a five-year agreement jointly to develop new propulsion systems for cars of the future. The agreement, which covers dozens of advanced vehicle projects including fuel cell cars, "could define the future of the automobile", said Harry Pearce, GM's vice-chairman, in Detroit after signing the deal with Toyota's research and development director, Akihiro

Several hundred engineers will be committed to the joint development projects, which will include all-electric "city" cars and "hybrids" - vehicles using petrol or diesel engines in tandem with electric motors. The collaboration between GM, the world's biggest vehicle maker, and Toyota, Japan's largest, comes less than two months after rival DaimlerChrysler unvailed an environmentally clean fuel cell car based on the Mercedes-Benz A-Class, which cochairman Juergen Schrempp said would enter commercial production in 2004. John Griffiths, London

ELECTRONICS

Rockwell beats forecasts

Shares in Rockwell rose by \$2% to \$51%, after the electronic controls and communications group best analysts' expectations with a 17 per cent increase in second-quarter profits, to \$143m, with earnings per share up 23 per cent to 74 cents. Forecasts had averaged 70 cents a share. Rockwell said the automation division's sales had been weaker, because of problems in Brazil and lower sales in the motor business, but operating profits were still up from \$147m to \$163m. The avionics/communications side saw sales rise 14 per cent, and operating earnings 58 per cent.

Adding to the market cheer was Rockwell's forecast that It was on track to meet an earnings-per-share target of \$2.90-\$3.00 for the full year, and expected "to be near the high end of that range". Nikki Telt.

MERGERS

KPMG Canada chief guits

Spencer Lenthler, the chairman of KPMG Canada who negotiated a deal with rival Big Five firm Arthur Andersen for a controversial merger, has stepped down from his post following the partners' decision to scupper the agreement and accept terms offered by KPMG International. Also stepping down is D. Hugh Bessell, deputy chairman.

Mr Lanthier, 58, was widely criticised for agreeing terms with Arthur Andersen and falling to keep partners informed. He will be replaced by William MacKinnon as Interim chairman to "oversee the continued revitalisation of: KPMG Canada's relationship as a full member of the KPMG International organisation". While KPMG International said there would be "no reprisals" after the failed merger, it had become clear that Mr Lanthier's position was under threat. A statement said both men were leaving because of a combination of factors including "personal ... reasone". Jim Kelly.

NETWORK SECURITY

Check Point income up 30%

Check Point Software Technologies, the Israeli network security group, said yesterday that strong growth from all products and geographical regions helped to boost net income 30 per cent in its first quarter. Net income jumped from \$15.1m, or 39 cents a share, to \$19.7m, or 49 cents. Revenues climbed 37 per cent to \$43.7m over the same period. In early trading on Nasdaq, Check Point shares jumped more than 8.5 per cent to \$34.

"This was a good solid quarter," said Eric Zimits, analyst at Hambrecht & Quist, the US investment bank. "Check Point executed well where a lot of companies have stumbled, and this is probably a good opportunity for them to continue expanding market share." Check Point is the world leader in network security products. Avi Machlis, Jerusalem

BellSouth to buy 10% Qwest stake for \$3.5bn

BellSouth, the largest carrier to have avoided the merger scramble in the US telecommunications industry, yesterday unveiled a \$3.5bn investment aimed at plugging the gaps caused by its

independent strategy. The Atlanta-based company announced an agree- from mergers has led to ment to buy 10 per cent of close to completing the cun- to buy a long-distance car- acquisition. One person close

By Richard Waters in More York struction of a national US rier outright, with Sprint, to Sprint poured cold water WorldCom have pursued the end of last week. Philip ilbre-optic network.

If successful, the alliance will give BellSouth, the local carrier which dominates the long distance and high speed data services, particularly to large business customers in its home region.

The company's absence speculation on Wall Street speculation on Wall Street cent of the US company, was operates, a process that that it would eventually try in negotiations over an likely to take some time.

the third-largest, the most on that report vesterday. likely candidate.

with Quest appeared to stake in Quest to 20 per cent South has stood aloof. south-east, a way of selling make such an acquisition and name one of its 11 directimed to fall from their allowed by US regulators, where you don't have to own recent highs yesterday however, until the company everything - the globe is a morning, despite a report in has won approval to offer big place," said Duane Ackrecent highs yesterday Germany that Deutsche long-distance services in erman, chairman. Telekom, which owns 10 per each of the states in which it

Under their agreement, Yesterday's agreement BellSouth could double its

operates, a process that is share for 37m shares in holding disappears if Qwest

mergers to extend their net- Anschutz, the oilman behind works to all the world's the Qwest start-up, will main business centres, Bell-We've always believed that unlikely. Sprint's shares con- tors. Neither move is you can create an alliance an eventual takeover of

> BellSouth is to pay \$94.50 a Qwest, a 15 per cent pre- receives an offer from While rivals such as MCI mium to its closing price at

receive \$1.57bn, cutting his stake to 39 per cent. The deal does not rule out

Joe Nacchio, chief executive of the Denver-based carrier. The limit on BellSouth's

Digital's operations, it has

been slow to respond to a

fundamental shift away from

PC-Server, or distributed

'client server" networks,

towards the "internet com-

puting" mode in which desk-

top computers link to a cen-

Meanwhile established

companies such as IBM and

HP, as well as many new-

comers, are rapidly exploit-

ing the technology shift pre-

cipitated by the huge growth

Pfeiffer becomes a victim of his own success

in San Francisco and Paul Taylor in Lendon

in any other industry, a chief executive who increased sales tenfold in less than a decade might ressonably expect to win admiration, if not plaudits.

But for Eckhard Pfeiffer former Compaq chief execu-tive who was forced to resign over the weekend, along with Earl Mason, chief financial officer, the reality is somewhat different.

Compag's revenues have grown from \$3.3bn in 1991 when Mr Pfeiffer took over as chief executive, to \$31bm last year as the Houstonbased group rode the IT spending wave. In the process Compaq overtook Inter-national Business Machines to become the world's largest personal computer manulacturer.

More recently, under Mr Pfeiffer's close direction, Compaq aimed to become a broad global computer group following the acquisitions of Tandem Computers and Digital Equipment - both within the past 18 months. Ultimately, it was Wall

Street's loss of confidence in Compac's senior management after the company issued a shock profits warning 10 days ago that led to the boardroom coup. But the seeds of Mr Pfelffer's downfall may actually have been sown in his own success Mr Pfeiffer knows the PC

sales business very well. indeed, when he was picked by Ben Rosen, Compaq chairman, to become chief floundering in the US, bit by accurately forecast demand. Mr Pfeiffer's achievements company's complex distribution plex task of integrating you just cannot win.

competition from manufacturers of low-cost "clone" PCs. Yet in Europe, where Mr Pleiffer was in charge

Compaq was thriving. Within a year of taking the top job, Mr Pfeiffer had put his experiences in Europe to good use. In June 1992 he made the crucial decision to go after market share by slashing prices on existing systems and introducing a new line of low-cost PCs.

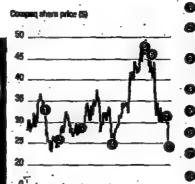
The strategy paid off. Although the move marked the beginning of an era of PC price wars, Compaq gained market share and cut costs enabling it to outflank rivals such as IRM, Digital and Hewlett-Packard.

However, Compaq soon faced fierce new competition from Dell Computer which pioneered a "direct sales" approach in the PC market. selling computers via telephone sales agents and later via the internet. Despite the cost advantages of direct sales, Mr Pfeiffer was reluctant to abandon the thousands of third-party resellers on whom Compaq had always relied. Recently, Compac adopted

a modified direct-sales model in which it generated orders for PCs via its web site but fed those orders to resellers for fulfilment. The plan was "too little, too late", critics charged. Compag's indirect sales

model has made it difficult for the company to compete with Dell, and other direct aellers, on costs.

Another drawback, which emerged a year ago, was that without a direct link to endexecutive, the company was users, Compaq could not



● Warns on first-quarter 1998 Reports strarp drop in first-quarter 1998 earnings and warms on second quarter

Eckherd Pfeiffer warns of net loss for full year 1998 due to \$4.7bn charge against Digital acquisition Third-quarter 1998 earnings altead

of expectations Announces aim to become biggest ternet service provider Fourth-quarter 1996 sales and Warns on first-quarter 1999

Pfeiffer insists first-quarter 1999

including Lotus Development, now part of

query service called "Ask Jeeves". Howev

happy to be returning to the front line.

the veteran industry executive said he was

Later this week he will face shareholders

at Compaq's annual meeting in Houston. As

the owner of 5.45m Compan shares, he will

no doubt share their concerns that the stock

Perhaps the key question however, is

whether any new chief executive will be

IBM. Currently, he is engaged in the

of internet use. Compaq has failed to position itself clearly as a supplier of e-business systems, complained Steve Milunovich of Merrill Lynch during Rosen - the chief with his finger on the pulse

a Compaq conference call with analysts yesterday. Responding, Mr Rosen said that Compaq had a unique breadth of technologies and products for e-business, but had so far failed to take full advantage of these assets. The roots of Compaq's

recent problems may lie in its ambitious expansion. through acquisitions: Despite repeated reassurances from both Mr Pfeiffer and Mr Rosen, there is a widespread industry perception that the integration of Digital, in particular, is proving much more complex than Compag anvisaged. Ironically, having "enthu-

siastically and unanimously endorsed" Mr Pfeiffer's expansion strategy, Compaq's board of directors determined over the weekand that "new leadership" was now needed to manage the increasingly complex business created by these acquisitions. For Mr Pfetffer. it must seem that sometimes

California Institute of Technology. As a former financial analyst, turned venture As a managing partner of the Sevin Rosen venture capital group, he helped found numerous other high-tech companies capitalist, Benjamin Rosen knows who calls the shots when companies deliver

unwelcome surprises - Wall Street.

Neither has the 65-year-old financier shirked his responsibilities as chairman of Compag, a role he has held since 1983. Last weekend, he presided over the

boardroom coup which led to the resignation of Eckhard Pfeiffer. Eight years ago it was Mr Rosen who installed him, after removing founder Rod Canlon as chief executive because of growing disappointment over the group's PC sales.

However, in recent years he has kept a low profile, despite sitting on the boards of several technology start-ups he has helped to fund and being vice-chairman of the board of trustees at the prestigious

willing to work under a chairman who aiready has two notches on his belt.

is trading near its 52-week low.

ahocked the industry by dis- mance had suffered as a closing that it had a huge inventory overhang, which ing. The biggest decision fac-took six months to dissipate. ing Mr Pfeiffer's successor tronic business arena. Per-Mr Rosen, while praising may be how to unravel the haps distracted by the com-

This was highlighted early over the past seven years, tion systems so that it can last year when Compaq said the company's perfor- compete more adroitly with direct PC sellers. result of slow decision-mak-

Turning Risk

Into Return.

But Compaq is also in

Depressed farm sector hits Case

the first quarter of 1999.

group reported a \$48m loss, sentiment towards cyclical with sales down 13 per cent stocks, rose \$14 to \$34%. at \$1.2bn. A year ego, Case's
first-quarter profit was \$69m.

Case said that the Brazil
problems alone had dented

spending generated by the US Highway Bill, but a modest decline in Europe. Asia- were 4 per cent higher, with Pacific might stabilise, but the solid position in North the Latin American outlook America failing to offset had "dampened considerably" due to Brazil's prob- Latin America were 46 per

Caterpillar last week Case's results were still sig-Low commodity prices and nificantly better than many depressed conditions in the analysts had believed. farm sector worldwide According to the First Call caused Case, one of the big-research firm, forecasts for gest TIS suppliers of farm Case were about 25 cents a and construction equipment, share loss, against the 68 to fall into the red during cents actually posted. Case The Wisconsin-based benefited from improved

Case said that the Brazil Case remained cautious earnings by about \$15m. or about the outlook for the 16 cents a share. Retail sales, rest of 1999. It continued to in unit terms, of farm equip expect, worldwide sales of ment fell by 14 per cent in farm equipment to be down the quarter, while wholesale by 8-10 per cent, with the sales slumped by 30 per cent, important Latin American as the company cut back market slumping by about production and pushed out 10-15 per cent. Production and pushed out less machinery to dealers. in construction, Case pre- Case estimated that global dicted stable demand in production of agricultural North America, with some equipment fell by about 35 benefit from infrastructure per cent, year-on-year, in the

In construction, revenues problems elsewhere. Sales in nn. cent lower, and Europe saw Nevertheless - as with a "modest" decline.

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NOTICE TO THE BOLDERS OF Telecom Argentina STET-France Terrecom S.A. U.S.\$100,000,000 Medium-Term Hotes icies i in ily i, zuc ISIN No. XS0076226942 NOTICE IS HEREBY GIVEN that for the interest period November 5,

1998 to May 5, 1999 the Series E Notes will bear interest at a rate of 8.23641%. Interest payable on May 5, 1999 will amount to U.S. \$41.18 per U.S. 51.000 Note. U.S. Bank Trust National Association, as paying agent will make payment on such date to the person in whose name the Series E



Notes are registered at the end of the fifteenth day (the "Record Date") next preceding the May 5, 1999 interest payment date. Telecom legentina STET-France Telecom S.A.

The state of the s

AAPT rejects hostile bid by **C&W Optus**

By Gwen Robbisson in Sydney

AAPT, Australia's third largest telecommunications company, yesterday rejected a bostile takeover bid by its larger rival, Cable and Wireless Optus as "inadequate

and naive". C&W Optus, which is 52.8 per cent owned by Cable and Wireless of the UK, listed last year. The company announced last Friday it would offer A\$5 a share for AAPT, valuing the company at A\$1.49bn (US\$964m).

AAPT said several of its largest institutional shareholders had confirmed they would not accept CWO's offer price, Lee Casey, chairman, said he was "astounded" by the "nalvety" of the offer.

This opportunistic \$5 bid substantially undervalues the company's shares; it ignores its growth potential and doesn't include any pre-mium for control . . We are confident the proposed offer will not be successful at the

current offer price,"
The board had advised shareholders to take no action pending receipt of CWO's formal offer docu-

The offer would also regulatory approval from the Australian Competition and Consumer Commission, the government's

Semianumal Statement for the period from Sepre (the "Period")

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3. Aggregate Negative Code of Eligible Films in the Portfold

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If this Statement is an Amena Statement, and account to an Amena Statement, and observance or management and observance or management and observance or management and observance or management and observance of the Figure Agreement has occurred and/or as

On February 9, 1996, Discory Enterprised, No. (formerly known as The Work Decrey Conguenty (the "Company") accurant Capital ConstASC, Inc. ("Capital Cases") As a sessif of the acquisition, the Company was renarmed Denny Enterprised, Inc. and became a whicking company passed "The Welt Denny Company". Accordingly, the Above-relatenanced Notes are securities of Disney.

Disney Enterprises, Inc.

Br: /s/ Inend McCooneil

Title: Director, Corporate Finance

4. The Porticle Amount

ADDITIONAL INTEREST STATEMENT

Disney Enterprises, Inc.

(formerly The Walt Disney Company)*

U.S. \$400,000,000

Senior Participating Notes Due 1999

PRESSURE to the forms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of Diancy Enterprises, Inc. (formerly The Walt Disney Company) (the "Company"). Capitalized terms used in this Statement have the measures succribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Crubunk, N.A., as Fiscal Agent. Principal Paying Agent, Transfer Agent and Registers. The information contained in this Statement is given for both the period covered by this Statement (indicated by the box checked above) and for the period from October 20.

1992, the date of countries of the Notes (the "Issue Date"), through the end of

riperve report discussing the activity and states of Eligible Felms. Co sch descriptive report can be obtained by Holders of the Notes u

of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Cinbank, N.A., 111 Wall Street, 5th Floor, New York, New York 10043:

Attention: Global Agency & Trins Services; telephone: (212) 657-7403. If this statement is an Annual Statement, it is also accompanied by a Supplemental Anda Report of the Company's independent public accommun. In this

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Dated: April 20, 1999 tember 1, 19987 to Pebruary 28, 1999

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antitrust watchdog, among other regulators, Mr Cusey

Analysts last night said CWO would have to raise its offer for the bid to be considered seriously.

But CWO insisted that its offer was fatrly priced, providing a 13.9 per cent pre-mium to AAPT's average share price this year and valuing the company at 24 times pre-tax earnings, compared with a sector average of 14.5 times. AAPT's shares resterday jumped 9 per cent

On Friday, CWO had acquired a strategic 10.6 per cent stake in AAPT at A\$4.85 a share, from Singapore Telecommunications, which confirmed it had cut its AAPT stake to 2.6 per cent from 17.6 per cent for a total of A\$217.3m

Chris Anderson, CWO chief executive, said CWO and AAPT were "highly complementary" and should be able to offer very competitive prices locally and inter-

CWO, with a market capitalisation of more than A\$13ba, is Australia's second largest telecoms company. AAPT was founded by Australia's domestic news agency, AAP Communications, whose main sharehold ers are John Fairfax Holdings and News Corp.

Indonesian groups aim to tie up restructuring agreements

Leading companies, including Bakrie and Astra, look for creditor approval of debt rescheduling, writes Sander Thoenes

head in Indonesia, After months of negotiations and speculation, the country's leading companies are hoping to gain approval for their restructuring plans and to

cement debt rescheduling Brothers. Bakrie & Brothers, the \$1bn and Rp1,000bn iversified conglomerate, (\$115.5m) in debts, divided in diversified conglomerate, copes to become the first obtain creditor approval today for a restructuring of \$1.15bn in debt, it will be followed by Astra Interna-

tional, the car maker, which

puts its proposal to a vote later this month. A third deal is a rescheduling of \$400m of the \$832m owed by Chandra Asri, the etrochemical company pertially owned by Marubeni of Japan. Creditors have agreed to a six-month rescheduling but hope to approve a threeyear suspension of principal payments before the next

payment, due late August.

Orporate restructuring . Bakrie says it would ask is about to come to a its creditors to swap the fulldebt for equity, offering 80 per cent of a holding compeny that will hold five of the least troubled subsidiaries, plus 20 per cent of the remainder of Bakrie &

> three tranches with maturities of three to seven and a half years. The portion with the lon-

with detechable warrants for 10 per cent of Astra's shares "Im hopeful they'll both get done," said one executive

of a western bank negotia-ting with Astra and Bakrie, "They would be the first big ones to get done. Hopefully they would set a trend." Many bankers believe Bakrie will get a deal first.

shape than Bakrie," said one

ropean debt trader. "But Bakrie really has the banks over the barrel. There is so much Bakrie debt out

But Bakrie may run into difficulties with bankers who complain that the proposal offers little information on the value of the sub-

@ Astre International \$1,054bn phis Re881.25m to be

S400m to be reschedul out of \$830m in debt remainder not due yet.

would include Balcrie Stime

company, as well as Bakrie Communications, Bakrie Kasei, Bakrie Aruthmin and Bakrie Electronics.

Some creditors say they have persuaded Bakrie to include a larger portion of shares in Bakrie Sumaira and still hope to include Bakris Pipe, which makes pipes for the oil industry. Astra's creditors, meancompany has understated its revenues from the plantation subsidiary Astra Agro Lestari. But several lenders,

including the Japanese, who had objected to the original proposal offering less interest payment and set aside funds for buying back bonds from smaller creditors, said they had been persuaded when Astra sweetened its offer for a second fime. "What is needed is to get

enough bankers on board to pressure the others," a western banker said. "If they don't co-operate we can do a pre-packaged bankruptcy." he said, referring to a new clause in the bankruptcy law that allows debtors to apply A simple majority of creditors holding two-thirds of restructuring plan that a judge can declare binding on

On paper, debt restructuring offers relief to the com-panies. While it could mend relations with banks, it is unlikely to make much difference to cashflow in prac-

more as, they believe the rie have been paying interest or principal

They need loans to survive in the long run although bankers say it will take several years before banks will resume lending, particularly the Japanese, which Astra has relied on.

Bakrie, may have a much harder time persuading anyone to lend again as it borrowed far too much and renald in assets that, debt traders say, will return 15 cents to the dollar at best.

hile Astra and Bakrie could be models for other restructuring deals, several bankers would rather not see this happen. Both deals highlight that creditors are more willing to take a hit than they would care to admit in public.

Japanese banks, in particular, prefer the kind of rescheduling arranged for stay current on interest payments at least to its foreign lenders. It may defer part of the interest payment to Indonesian state hanks in return for shares in the company.

Daewoo to cut debts with shipbuilding sale

Daewoo, South Korea's econd largest chaebol, or conglomerate, is selling one of its most profitable businesses, the shipbuilding division of Daewoo Heavy Industries, as it struggles to haive its debt of Won60,000bn

However, the proposed sale of the shipbuilding division to Mitsui and other Japanese shipbuilders for an settimated World Milha comes as ship orders weaken due to a cyclical downturn in the industry and has raised concerns whether Daewoo will be able to meet its target of relling Wons,140bn in assets

While Daewoo is also outting profitable units on the - it is hoping to sell two Hilton hotels in Seoul and the resort town of Consid for World woo Telecom and shares in other telecom companies for Won600hn, and a 40 per cent stake in a leading insurer, tors, including cars, con-Kyobo Life Insurance - struction, electronics, questions remain whether chemicals and financial serthe asset sales will be large enough to solve Daewoo's ber of subsidiaries to 20 from by LG.

Daswoo's nearly 600 over- Motor group, which it

included in the group's consolidated accounts.

This could prove to be an obstacle to the asset sales since buyers might be caudebts, which has been one factor delaying the swap of Daewoo Electronics for Samsung Motors, according to Kim Run-soo, research head at Merrill Lynch in Secul.

Nonetheless, government officials yesterday gave a cautious welcome to Daewoo's proposals. The restructuring plan "outlined the direction it has to take. It is very possible for Decwoo to complete" it, said Lee Hun-jai, the chairman of the Financial Supervisory Commission, which is in charge of charbol reform.

efforts offered by Hyundai yesterday received a more LG chairman failed to were few details. Hyundai said it would concentrate on five business sec- con plus a share in corning

vices, and reduce the num-

Analysis believe its debts it projected asset sales of scheme might be worth may be higher than stated Won4,000bn would include nothing if the chipmaker since some borrowings by eight affiliates of the Ria performed poorly under

recently acquired. It also plans to raise Won10.000bm through rights issues and at least Won5,000bn through equity and asset sales to for

lows recent comments by the president of Hyunda Motor, who admitted that Korea's largest carmaker was having difficulty in attracting foreign investment to help finance its takeover of insolvent Kia. The group's financial problems have been a stumbling acquire LG Semicon under a

state-proposed merger to cut

up to Won1,000bn for the

new chipmaker over the

next three years against an

overcapacity in the memory Hyundai has been offering a much lower acquisition price than demanded by LG Similar restructuring and a meeting yesterday between the Hyundai and d that su offering an initial paymen critical in achieving Daza's of Won1,000bn for LG Semi goal of increasing sales in

> asking price of Won3,200bn LG said the profit-sharing

Dasa aims for \$1bn in Japan

DaimlerChrysler Aerospace (Dasa) is aiming to increase

sales in Japan over the next decade to about \$1bn from Y15bn (\$127m). . "We expect a further increase in turnover, mainly due to the success of Airbus," said Stefan Weingartner, president of Daimler-Chrysler Aerospace Japan.

We are convinced that compared to our worldwide turnover and [considering] the size of the Japanese economy, we have much more opportunities here in Dasa's ambitions in Japan ere in line with the Daimler-

Chrysler group's goal to increase turnover in the Asian markets from 8.3 per cent of overall turnover to between 20 and 25 per cent. Mr Weingartner emphaanese companies would be

"In order to achieve this goal we want to strengthen and expand partnerships."

Although the Japanese mercers and acquisitions yet and is likely to see consolidation among Japanese companies first, "we certainly do not exclude acqui sitions" as a means to increase sales in Japan, he

The company's sales total around YI5bn, of which the bulk comes from sales by Airbus, in which Dasa has a 37.9 per cent stake.

Airbus has substantial potential to increase sales in apan, where its market share is only 15 to 20 per cent, against a worldwide share of about 50 per cent, Mr Weingartner said.

While part of the problem temmed from Airbus's lack of a high-capacity aircraft, which is widely used in Japan, political influence "is also an issue", he said. Airbus is also looking to increase co-operation with

Japanese partners, particularly by seeking Japanese participation in lis curren In the defence market,

Dasa lags its US competitors in the Japanese market for historical rusons.

But the Japanese defence procurement market is likely to become much more open to competitive bidding as a aerospace industry may not result of the Defence Agenbe ready for western-style cy's need to buy the best products for the best price.

PAL directors meet amid confusion

Philippine Airlines became further clouded vesterday by the continuing drama over

Lucio Tan, the airline's majority shareholder, called PAL directors yesterday amid mounting speculation over a power struggle etween the Filipino-Chinese tycoon and a new manage-ment advisory team recruited from Cathay

breas reports Local suggested the meeting was called to ease the five-man advisory team away from control of the sirling.

At the meeting Mr Tan group of undisclosed inves tors to provide a \$200m cash injection for PAL, which is facing a \$2,2bp debt burden as part of its revival plan. He offered to place \$100m of the cash immediately in an escrow account, subject to undisclosed conditions.

He also said he had resumed the position of chief executive of the airline - a role he relinquished in January to gain the support of creditors for the revival plan. Mr Tan would now devote his "full attentions and efforts" to the airline's rehabilitation, said PAL. It is not clear where this

leaves the management advisory team or Luis Juan Virata, the acting chief executive. Peter Foster, head of the advisory team, said he had not been notified of any changes in management. On the rift between Mr Joseph Estrada, the Philippine president, said: "If there are rifts, we don't want anything that will be disadvantageous to the operations of PAL. But I think they will be resolved if there are any.

"Mr Tan ... was the one who entered into the agreement with the management a violation of the agreement. then it is within his prerogative to terminate [the agree-

JSA funds raise Japanese exposure

US mutual funds have sharply increased their exposure to the Japanese equity market in recent weeks by purchasing large volumes of small company shares.

Data Services, a US research company, show that net purchases of Japanese equity in the second week of April surged to \$268.9m. five times the levels seen in the previ-

This is sharply higher than the pattern seen over the past year, when US mutual funds were either selling Japanese equity, or buying less than \$30bn a figure seen in the past three

Analysts said activity by US mutual funds repre-sented only a fairly small proportion of the total purchases by foreign investors, which has recently been on

a rising trend. Between April 3 and April Data collected by AMC 9, the most recent period for outs Services, a US research which data is available, foreign investors spent Y362hn

However, since the US mutual fund data are unusually timely, and have often been a good guide to broader trends in the past, they are closely watched by the mar-

Jonathan Allum, strategist at ING Barings said: "The interesting thing about these figures is that we have seen net outflows from Europe, but net inflows into Asia - i

Financial Times Surveys

Business

Education

Monday May 17

For further information please contact:

Laura Remigi-Luppi in London

Tel: +44 171 873 3308

Fax: +44 171 873 3064

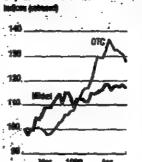
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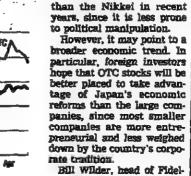
The data provide one of the first concrete signs of the degree to which foreign investment funds have been pouring into the over-theounter - or small compa

nies - market The figures collected by AMG showed that more than 90 per cent of the US mutual fund money inves Japan was placed in funds with a bias towards small This sudden foreign inter

est has already had a sharp impact on the OTC market, which has startled many economists by doubling in value in the past six months. making it one of the best performing small company sectors in the world.

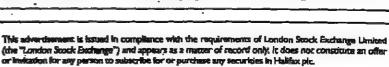


The Nikkei 225, the key stock market indicator, by contrast, has risen only 28 per cent in this period.



ity, the US mutual fund group in Japan said: "The OTC market has done extremely well in the last

year - our own small compa-nies fund is up 75 per cent This surge could reflect over the last year. That is the fact that the OTC market attracting people." mentl." he said.





Halifax plc

Issue of non-cumulative fixed rate sterling preference shares of £1 each. Dividend rate set at 6% per cent.

Deutsche Bank AG London

Halifac pic amounces that it has assed 198,065,600 non-cumulative fixed rate sterling preference shares of £1 each in connection with its acquisition of the business of Birmingham Midshires Building Society, These preference shares have been admitted to the Official List and represent the social number of preference shares of that class in Issue. The dividend rate on the preference shares

The preference shares have not been and will not be registered under the U.S. Securioes Acc of 1933 (as amended) and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to U.S. persons. 20April, 1999



POINTS FROM NICKY OPPENHEIMER'S 1998 CHAIRMAN'S STATEMENT

PAL directors on meet amid confusion

113

On the eve of the Millennium, De Beers, one of the world's oldest and largest mining companies, can look back on more than 100 years of growth and achievement during which it secured the stability of the industry and a remarkable expansion of diamond demand throughout the world.

On the cusp of a new century De Beers is fashioning a strategy to enable it to respond creatively to future challenges. It will be guided by its core principles: its commitment to South Africa and to its partners in Southern Africa; its striving for stability in the diamond industry for the benefit of all its stakeholders; and its determination to remain in all respects the world's leading diamond company.

For the diamond industry the past year was one of the most difficult in recent memory, as a result of the lingering recession in Japan and global economic uncertainty. De Beers' response was to cut sales by 28 percent to US\$3,345 million to ease the pressure on the pipeline where stocks of rough and polished were reduced by US\$1 billion. This remedial action, which showed again why De Beers remains central to the health of the industry, carried a short term cost to the company: a 40 percent drop in De Beers' own earnings; a US\$377 million increase in De Beers' diamond stocks and a 22 percent dividend cut.

By the year's end De Beers' restraint was rewarded by an improvement in the market. The decline inretail sales in Japan and the Far East had been partially offset by vigorous United States demand as well as growth in the European market, and the New Year has also brought signs of firming demand in the Far East.

On the supply side, the three-year extension of the Russian sales contract with De Beers and the agreement with BHP to market 35 percent of the run-of-mine production from the new Canadian mine, Ekati, were welcomed by the diamond industry. Despite the growing number of new entrants attracted to diamond mining by the stability afforded by single channel marketing, the De Beers Group in South Africa, Botswana and Namibia continues to produce nearly 50 percent by value of the world's gem diamonds. This, together with its ownership of the most advanced diamond technology anywhere, will guarantee its continued dominance in a more competitive environment.

In positioning itself for the future as an independent, dedicated and integrated company under its own management team. De Beers took a major step with its operational separation from Anglo American Corporation and the move to a new corporate headquarters at Crown Mines, Johannesburg. This global centre of excellence is now a matter of pride for South Africa and a showcase for the knowledge and technical expertise which has given De Beers its leadership position in the world-wide diamond industry.

A R60 million training programme to expand and develop its South African skills base is one of the ways De Beers will secure the future of diamond diamond industry was born. Other initiatives include a series of imaginative projects to extend the life and employment of its older mines well into the next century and a willingness to invest in small mines and joint ventures as a means to expand black ownership and operational involvement in the industry. De Beers Group operations in Southern Africa include some of the lowest cost mines in the world. The expansion project to double Orapa's capacity, and the completion at Jwaneng of the most automated sorting and recovery facility in the world will maintain this competitive advantage.

As the world prepares to commemorate the Millennium. De Beers will announce several projects to promote the diamond as the ideal Millennium gift. One of these, using De Beers' own unique branding process, will be a limited edition of top quality, individually branded and numbered De Beers Millennium diamonds. De Beers, like millions of diamond consumers around the world, knows that Millennia come and go, but a diamond is forever.

The full Chairman's Statement and the Annual Reports of De Beers Consolidated Mines and De Beers Centenary for the year ended 31st December 1998 have been posted to registered shareholders. Copies may be obtained by writing to the London Secretaries at the address below. The Chairman's Statement may also be accessed on the Internet at http://www.edata.co.za

DE BEERS

LEISURE PRICE WAR THREATENED AS A RESULT OF AIRTOURS PROPOSED COUNTER-BID FOR FIRST CHOICE

Thomson will defend market position

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The prospect of a UK holiday price war loomed yesterday as Thomson Travel Group package holiday company. mount a hostile counter-bid position."

Associated British Foods,

the group that makes Kingsmill bread, Silver Spoon

sugar and Twinings tea, pro-

poses to return £448m

through a special dividend of

The pay-out - about 12 per

cent of its market capitalisa-

tion - represents a change of policy for ABF which had

accumulated a £1.5bn cash

pile in preparation for mak-

ing a large acquisition. The

shares rose 174p to 4434p

after the announcement ves-

(\$721m) to shareholders another £1.5bn, ABF

sive chairman and chief another unnamed company.

£1.5bn (\$2.4bn) merger with ·Switzerland's Kuoni.

A successful bid would give Airtours 34 per cent of the UK package holiday marwarned Airtours, the UK's ket, against Thomson's 27 second largest tour operator, per cent. However, Thomson that it would defend its post- said yesterday: "We have almost certainly trigger comtion as the UK's largest been market leader in the petition concerns. UK for 25 years and we have Airtours is preparing to no intention of losing that

prices of larger listed food

companies were too high to

offer an adequate return for

shareholders. But with

nearly £1bn still in cash and

the capacity to borrow

remained able to pursue

prepower to make further

significant acquisitions," be

Mr Weston also announced

his second son George would

be joining the board as direc-

tor responsible for bread

operations following the

departure of David Garman

to become chief executive of

"We need to retain the

suitable opportunities.

operator that has agreed a elaborate but it is believed that Thomson is considering flooding the market with holidays or launching a counter-bid for First Choice to thwart Airtours. A bid by either Airtours or Thomson for First Choice would

> Thomson has in the past used price wars to maintain its market position, most

ment was seen as an indica-

tion that George Weston will

eventually succeed his

Mr Weston Snr. 71, is to

stand down as chief execu-

tive on June 1 in favour of

Peter Jackson, head of the

British Sugar subsidiary, but

intends to continue as execu-

Withington, the family

trust which owns 50.9 per

cent of the shares, said it

would reinvest some of the

proceeds of the special divi-

dend in buying another 3 to

4 per cent of the ABF shares.

This would enable the group

to issue new equity to pro-

for managers without the

Yet the merger would also allay fears among Asda's

investors that the number

three in a mature industry -

physically restricted by a

tight planning regime -

could be running out of

steam. Although the group

announced encouraging like-for-like sales rises of 4.7 per cent for the second half to

April 10, this growth is being

generated by its non-food

Investors seem to have

accepted the logic of a

tive chairman.

all-share deal.

Group, which later collapsed.

However, analysts said Thomson might find it rebuilding profits by keeping harder to spark a price war a tight rein on supply since awaiting Kuoni's offer docu- and risk its profitability now it is no longer owned by ply of holidays and subse-Thomson Corporation, the quent deep discounting led Canadian publishing group, to low margins and reduced after its London stock mar-

dend, the share capital will

be consolidated on the basis

of 88 new shares for every

100 existing shares. Credit

Suisse First Boston was

adviser to ABF on the spe-

Yesterday's announce-

ments came as ABF

announced pre-tax profit for

the first half to February 27

of £109m after a £74m charge

following the adoption of a

new accountancy standard

on the value of fixed assets.

Pre-tax profit before the

exceptional charge was

Earnings per share were

5.8p (14.5p) and the dividend

L183m (£193m).

when it was challenged by a return to the volatile trad- Choice also warned Airtours the International Leisure ing conditions which once not to launch a hostile characterised the package counter-bid and risk destabiholiday industry.

The industry has been ket. summer 1995 when over-supprofits.

Thomson's statement

The company refused to notably in the mid-1980s A price war could also see came the day after First lising the UK holiday mar-

> Airtours is believed to be ment, expected later this week, before launching its counter bid. This is expected to be worth 220p-230p a share, valuing First Choice at £744m-£778m.



Angling to build a retailing behemoth

ABF planning £448m pay-out

Peggy Hollinger examines the forces driving the Asda-Kingfisher merger

uried amid thousands of largest global competitors," bland words about how the companies said, publishing the merger will create a ing details of the planned world-scale retailer is the real reason why Kingfisher and Asda want to join forces. It will allow Sir Geoffrey Mulcahy, Kingfisher's chief executive, to further his ambition to dominate global retailing.

it is in the electricals and DIY businesses, which he has been expanding internationally at a flerce rate in

"The group will have sigfinancial resources to match

Bringing in Asda's supermarkets as a cash cow would strengthen Sir Geoffrey's firepower. The deal puts him firmly in the driving seat nificantly strengthened Kingfisher shareholders would control two-thirds of

merger. With net assets of £5bn (\$8bn), operating cash flow of more than £1.2bn and gearing below 20 per cent. the combined business would have the muscle to "participate in the continuing consolidation of Europe's But not in food - instead, DIY and electricals mar-

merger, even those who consider the terms of the deal somewhat mean from Asda's more closely those of the the group as a result of the point of view. The returns Kingfisher will make out of Asda are about 7.5 per cent in year one, after attributing a share of the savings to Asda," said one shareholder with a substantial stake in both compa-

> Asda and Kingfisher yesterday set out the benefits they expect to get from putting the companies together. On the £4.5bn of products

> nies. "It just shows they

such as tolletries and toys they expect to make some 250m a year in savings.

Combining distribution networks and head office overheads would save a further 210m a year, though both businesses insisted there would be no redundancles. Finally, the opportunity to introduce new products such as Woolworth's Chad Valley toy range and Com-et's electricals - into Asda stores, and vice versa, is expected to contribute at least a further £40m in

annual benefits. Together, the two businesses would have 3,000 stores worldwide, selling from 52m scrft. One idea that has been dis-

cussed is opening city-centre Asda food stores in some old Woolworth sites. The logic of building scale

to compete in the same league as the world's biggest retailers could be compelling if the deal is followed by a rash of pan-European mergers. As news of mergers and alliances emerged yesterday from Germany and France. it seemed the argument was winning support.

Inchcape ready to offer £530m cash windfall

Sharebolders in Inchcape yesterday beard that they are to get a 2530m (\$853m) cash windfall as the former trading company approaches the end of its disposal phase. The company said it was in the process of finalising a

circular to shareholders with details of the pay-out. However, the group said it had decided to pay a special dividend of 100p a share. The pay-out will mark the

symbolic end to the restructuring of one of the oldest names in the London market. The move had been after expected, announcement last year that it would focus on international motor distribution.

The restructuring was tion joint venture in Japan - £116m.

is expected before the end of June. Inchcape has raised more than £620m from the sales before tax and costs.

The company yesterday said it expected to be able to send the circular to shareholders once the biggest disposal - the \$750m sale of its Chilean bottling operation was complete.

The disposal, requires shareholder approval, is subject to agreement of a syndicated loan facility yet to be put in place by Embotelladora Arica, the Chilean soft-drink bottler that is buying the business. Agreement is expected before the end of the month. Apart from the bottling

chief executive who will leave the group once the dis-Inchcape's sprawling struc- its Russian bottling ture was too complicated for operations for \$87m, its investors to understand. It Asian marketing business has sold five businesses, and for £93m, Inchcape shipping

interests, Philip Cushing, the

COMMENT

Lette

British Foods was a prime candidate to return cash to shareholders. Even though-ABF had stepped up spending on acquisitions, a cool £1.2bn was still sitting in the bank at the end of February similar to the sum at

interim stage last year. Falling interest income and the stubbornly high cost of European acquisitions finally removed the last excuses for keeping so much money handy. ABF will, in any case, still be able to spend well over £2bn on acquisitions after handing back nearly

£450m. Shrinking the equity base will also give a little upward twist to earnings per share, just when large tranches of the business - bakery, sugar and animal feed continue to wallow. The few growth areas, such as Primark in clothes retailing, are too small to offset this. ABF's uphill struggle is partly beyond its control - the pound's strength against the euro, for instance. But this still leaves ample scope for Peter Jackson, the new chief executive, and chairman Garry Weston's son George to make their mark.

Kingfisher/Asda

The fog has not cleared. What - other than a desire for scale is behind Kingfisher's £5.4bn bid for supermarket retailer Asda? Kingfisher argues it needs deep pockets to be able to compete with successful global retailers. Access to Asda's chunky cash flows should certainly increase its spending power. Nonetheless, it is not clear what else it gets from the combination. True, there are purchasing synergies to be obtained from the £4bn of common products sold. But squeezing suppliers is not a long-term strategy. And it is hard to see why manufacturers should agree to price-cuts, since the merger will not necessarily lead to more goods

Sir Geoffrey Mulcahy, Kingfisher's chairman, says the real purchasing benefits will take longer. These will come from Kingfisher offering suppliers a pan-European distribution channel through its store chains. That might be true, but it is not clear where UK-based Asda fits into this strategy. Given the rationale, it is not surprising Kingfisher's allshare offer is now worth only 180p - essentially where Asda's shares were before the deal was announced. If European supermarket groups such as Carrefour have any interest in the UK market, now is the moment.

NU at top end of market forecasts

Sy Christophur Brown-Humas

Norwich Union, the life assurer, announced a 32 per business, but its shares fell on worries about margins and prospects for the rest of the year. The increase in business from £88m to £118m (\$187m) was at the top end of expectations, and came after UK business rose 29 per cent, from £57m to £74m.

But Norwich downplayed poor first quarter last year. in UK investment bond busi- London & Edinburgh. ness, with sales doubling from £80m to £164m - but a business rose 12 per cent to

Philip Scott, head of longterm savings at Norwich said the group had benefited from a switch out of bank deposits. "Investment bonds are attractive products at a time of low inflation when people are finding their income squeezed." he said.

The shares, which went ex-dividend, fell 3%p to 456p. with analysts saving the figures were not as impressive as Axa Sun Life's 10 days ago. There were also worries the performance, saying the about a change of mix to figures were flattered by a lower-margin business and the contribution - unquanti-There was strong growth fied - from newly-acquired

weaker performance in other £26m, while international disposal of the sixth - an services for £47.5m and Mid- areas, such personal pen- operations climbed 86 per office automation distribu- die Eastern marketing for | sions, which only rose 5 per cent to £16m, helped by suc-

Practise with unsafe sectors and dissatisfaction is guaranteed

Jane Martinson looks at the implications of the row over MAM's poor performance I han Wendy Mayall of of claiming compensation of

the Unilever pension up to £100m. fund first rounded on Although for the believe the second control of the believe the second control of the believe the second control of the s Carol Gailey of Mercury Asset management over the fund manager's poor performance, neither realised the interest their fight would attract But the dispute between

two leading industry figures, is more than a passing sideshow, raising questions Stephen Zimmerman, the about how binding the other co-head of the buslrequirement is for a manemerged early last year when Ms Mayall, Unilever's pension fund manager, demanded to know why MAM had underperformed its client-set benchmark by 10 percentage points the year before.

The questions focused on the extent of the undermonths ago, will not discuss performance and the fact individual clients. Unilever that other MAM clients had enjoyed much better returns. Ms Mayall, according to industry sources, was "spitting blood" about the impact on the group's pension scheme members.

Soon afterwards, Unilever performance. sacked MAM from its £1bn (\$1.6bn) portfolio and started

___ 6 miths to Jan 31

__ Yr to Dec 31 __ Yr to Dec 31

6.88

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(3.23) (11) (13.8)

Although few in the industry believe that a case will go to court, the potentially ground-breaking battle has sent ripples through the pension fund industry. Miss Galley, co-head of

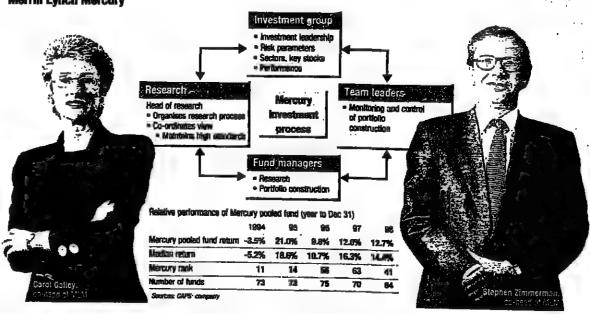
MAM responsible for UK Miss Galley and Ms Mayall, institutional clients, admits: "We are in unprecedented territory."

ness, suggests that compenager to beat its benchmarks. sation in the event of under-The differences first performance would open up litigious society like the US, fund managers are not signing up to guaranteed perfor-Merrill Lynch Mercury,

the group's name following its takeover by the US investment bank almost 18 is equally tight-lipped. But the seriousness of any

potential action has meant that the company, notoriously press-shy, has publicly defended its risk controls during the period of under-

Mercury has traditionally allowed its fund managers investigating the possibility greater investment freedom Merrili Lynch Mercury



than its rivals. In the past two years it has come under fire from consultants as well as disaffected clients for allowing its spread of returns to widen. One source close to Uni-

lever says the fund was particularly unhappy about the fact that individual fund managers were allowed to take such big bets. You would look at the

portfolio and not recognise

anything like an index," he

A leading consultant went further and said: "Mercury was a franchise. There wasn't anything called the Mercury house line,"

Mercury has acknowledged that the spread of returns in 1997 was unacceptable, but partly blames highly unusual market con-

The year saw a handful of

companies and sectors outperform the broader index, a situation that magnified the impact of relatively small investment decisions.

were worried about the level of the stock market and we misjudged the fact that momentum and liquidity Zimmerman are still very were going to take over from profits, earnings and dividends as the primary movements."

Like other active managers, Mercury suffered by buying unloved British industrial groups and smaller companies.

Miss Galley says: "We

In spite of its difficulties. active investment style. arguing that the alternative is to hug the stock market index and provide lower long-term returns.

"Managers need to take a degree of risk in order to achieve returns," says Miss At the same time, the

group has moved to improve the consistency of its returns. Rivals argue that Merrill is

itching to exert more influence over its expensive acquisition. However, Mercury insiders say that Miss Galley and Mr

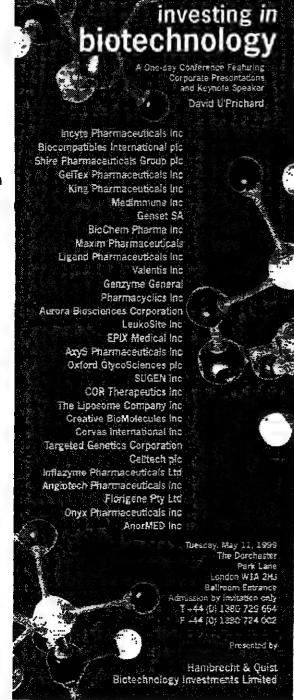
much in control. Both appear unhappy over the attention given to their driver to share price traditional UK business

when they are winning so much business elsewhere. In the first quarter of this year, the group is understood to have won a record

\$8bn in net new business. This comes in spite of the Mercury has defended its fact that two of the leading investment consultants in the UK have taken MLM off

their shortlists. Further questions will be asked before MLM is put back on these lists.

Miss Galley must hope until then that consultants like the answers better than



ART FAIR

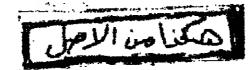


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Letter to Gucci shareholders

Dear Fellow Shareholders,

We would like to explain our view of the present situation and its implications for all Gucci shareholders.

A successful offer by LVMH is dearly impossible in the current circumstances

In the current circumstances, LVMH cannot launch an unconditional public offer because it would have no realistic chance of success.

Our financial advisors have indicated that there is no precedent for a successful offer that was opposed by a holder of 40% or more of a company's shares.

More than 50% of Gucci's shares have already indicated their opposition to LVMH's proposed offer at \$85 per share.

PPR owns 42% of Gucci's shares and its president has publicly stated that PPR would not sell to LVMH in a public offer, nor is PPR interested in making an offer itself to purchase all Gucci shares.

Tom Ford owns approximately 2% of Gucci's shares and cannot sell these shares without the consent of PPR.

Templeton Fund, which has more than 6% of Gucci's shares, has announced that it will not sell its shares in an LVMH offer at \$85.

Together, these shares constitute more than 50% of Gucci's shares, yet they include the votes of just one "independent" shareholder, owning only 6% of Gucci's shares, or about 18% of the total independent shares.

As such, it is clear that LVMH's proposed offer for all Gucci shares at \$85 per share has absolutely no chance of success unless some action is taken to restore a level playing field.

We have made a number of suggestions to Gucci that would make it possible for LYMH to make an offer with a fair chance of success. In particular, we have suggested to Gucci that if a majority of independent shareholders support LYMH's offer at \$85 per share, the Gucci Board should take action to make the success of such an offer possible, despite the PPR block.

This proposal is in line with the public statements of Gucci itself, which defended the creation of the ESOP on February 18th in the following terms: "The ESOP will ensure that the majority of independent shareholders will retain the power to decide the Company's future."

Today, however, as a result of the PPR transaction, Gucci management finds it convenient to forget this principle of corporate democracy.

Having themselves created a 42% block, and having simultaneously diluted the independent shareholders from 65% to 34% of Gucci's shares (ensuring they will have no voice whatsoever in Gucci's future), Gucci now takes the position that it will not support the will of a simple majority of independent shareholders.

According to Gucci, a successful public offer by LVMH would require acceptance by a supermajority of Gucci's independent shareholders.

Of course, Gucci knows that this is impossible, given Templeton's opposition and Tom Ford's agreement with PPR. Gucci insists, nevertheless, that LVMH launch an unconditional offer, only to give the impression that there has been a fair process. In fact, Gucci is pushing LVMH to make a bid that will fail, so they and PPR will be able to claim that Gucci's shareholders have validated the PPR capital increase and strategy.

LVMH has made additional proposals to Gucci to find a solution to the obstacles that exist to making an offer with a fair chance of success, and in each instance these have been turned down by Gucci without any constructive counterproposals.

Gucci transferred control to PPR at \$75 per share without a full bid or control premium to shareholders

Gucci has also forgotten another principle it espoused before the Amsterdam Court last February - that there should be no transfer of control without a 100% bid. Gucci chose to violate this principle in transferring control to PPR at \$75 per share.

The Strategic Investment Agreement between Gucci and PPR provides:

- an initial 40% stake and a right to go up to 42% of Gucci's fully diluted shares;
- a standstill for 5 years, with no obligation to make a full bid thereafter;
- an option to PPR to purchase an additional 10.1% of shares from Gucci, in certain events;
- 4 out of 9 seats on the Supervisory Board, plus veto rights over the chairman;
- an undertaking to vote for management's slate of the remaining 5 Supervisory Board members, thereby depriving independent shareholders from making successful nominations;
- 3 out of 5 seats on the Strategic and Financial Committee of the Supervisory Board; and
- veto rights over all significant decisions, including issuance of shares, mergers and acquisitions, and choice of chief executive officer.

Gucci stated that action by it to support the will of a majority of independent shareholders, by issuing new shares to LVMH to dilute PPR's block, would be "inconsistent with the Strategic Investment Agreement" with PPR.

While Gucci's Board believed it was free to issue shares to the ESOP in February and to PPR in March, they now admit that they no longer have that freedom, because of the PPR Agreement. What more evidence could one ask for that Gucci's Board has given up its power to control the Company?

PPR confirmed its own view that it was acquiring control of Gucci in the resolution of its Board of Directors on March 19, 1999, entitled "Taking Control of Gucci Group".

PPR's public statement that it has no intention to make a public offer is easily understood. Why should they, when they already have control and are protected from any LVMH or third-party bid? When their standstill is lifted, PPR will be able to buy a few more shares in the market and achieve more than 50% of Gucci's shares without ever paying a premium, launching a bid or offering minority shareholders an exit.

The PPR Strategic Investment Agreement is not in the interest of Gucci's stakeholders

Gucci's alliance with PPR brings Gucci no strategic advantages. PPR has no experience in the distribution of luxury products and little experience outside France. PPR is a mass retailer and they themselves have admitted that there will be no synergies for Gucci from cooperation with the PPR group.

LVMH, on the other hand, is the world's largest luxury brands group and also includes DFS and Sephora, which are specialized in the international distribution of luxury goods. Through cooperation with LVMH group companies, Gucci will have the opportunity to benefit from synergies, leading to increased profitability and growth.

PPR has brought only cash to Gucci. The PPR capital increase is entirely inconsistent with Gucci's decision last year to conduct a share repurchase program. Moreover, if Gucci did require cash for strategic reasons, it could have gone to its existing shareholders for a capital increase, rather than diluting them with a capital increase reserved to PPR.

Instead, the full Gucci Supervisory Board decided in a two-hour meeting on March 18th, when they learned of the PPR transaction for the first time, to completely change Gucci's business strategy to become a multi-brand luxury group, to issue a 40% capital increase to PPR, and to transfer effective control of Gucci to PPR. This was done under a threat from PPR to terminate negotiations if a deal was not concluded by the next day. The Gucci Supervisory Board did not ask for additional time to consider alternatives (including presenting the PPR proposal to LVMH at the meeting scheduled for the next morning), in order to seek a better deal for all Gucci shareholders. Instead, they simply gave PPR 40% of Gucci's shares and control over its future, without requesting a full bid or a control premium.

LVMH is committed to making a full bid for Gucci if there is a level playing field

We reiterate that we will launch a public offer for 100% of Gucci's shares at \$91 per share promptly following the nullification by the Amsterdam Court of the PPR transaction, or at \$85 per share, including the PPR shares, in the event that a level playing field is created by Gucci or the Amsterdam Court.

Today, Gucci opposes the application of the principles they espoused previously. We leave it to you to decide who is truly offering Gucci shareholders the best opportunity: those who transferred control to PPR without consulting existing shareholders and without obtaining a control premium, or LVMH, which wants only to make a full offer that will have a fair chance of success and proposes to abide by the will of the majority of independent shareholders?

We are the only party today offering Gucci's independent shareholders an opportunity to exit with a premium. If this is not made possible either by Gucci or the Amsterdam Court, we will all end up minority investors in a PPR-controlled Gucci, with unimpressive prospects for the future and no reasonable exit opportunity.

We expect you share our serious concern about this situation, as our financial advisors have informed us that in the absence of the possibility of a takeover, the value of Gucci's shares is likely to drop substantially.

We seek your support in our efforts to make our bid possible and to avoid this very unfavorable result for all of us.

The Board of Directors

LVMH MOET HENNESSY LOUIS VUITTON

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Nigeria

Debt, Development and Democracy: Prospects and Challenges

4 & 5 May 1999, Number One Southwark Bridge, London

The recent election of General Olesegun Obesanjo as president of Nigeria marks the penultimate step in Nigeria's phased return to civil rule. The Financial Times will mark this event with a major two-day conference which will bring together a number of newly elected senior ministers, nt Considirati Attance mistorio nel international financiers and strategic players in Nigerian investment.

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Old idea holds new attractions

TECHNOLOGY MAGNETIC FLUIDS

Simon Hadlington on the modern applications being found for a 1930s

laboratory curiosity Michael Glossop holds the small glass test tube to one test tube in one hand and a magnet in the other. The test tube is full of water, blob of black fluid.

As the magnet is brought close to the tube the blob stirs into life. When the magnet is drawn up along the outside of the glass the black fluid follows it like a slug, clinging to the glass wall.

The liquid "slug" is a magnetic fluid, and around the world research teams are investigating potential applications for this unique class of material. Magnetic fluids, also called ferroliquids or ferrofluids, consist of tiny magnetic particles - each around 10 millionths of a millimetre across -suspended in a carrier liquid. which can range from water to synthetic oils.

The magnetic particles, control the rate usually an oxide of iron, are prevented from clumping together by being coated with a surfactant, a chemical dispersing agent.

In the absence of a mag netic field, the ferrofluid shows most of the physical and chemical characteristics of the carrier liquid. However, when a magnetic field is applied the ferrofluid responds immediately. "This means that a ferrofluid can be positioned, controlled and held in place by a magnetic field, and it is this key property which has led to its

soo, UK managing director at New Hampshire-based Ferrofluidics, one of the world's main manufacturers of magnetic liquids.

Ferrofluids were discovered in the late 1930s, but remained essentially a laboratory curiosity until the 1960s, when Nasa began investigating ways of moving liquid fuels in lowgravity environments. However, the development of solid fuels rendered further work on magnetic liquid fuels unnecessary, and in nology to Ferrofluidics.

Since then, the main application for ferrofluids has been in vacuum sealing. especially in the semiconductor manufacturing pro-

However, the slump in the semiconductor industry is

A ring of ferrofluid could be used as a valve to

of flow of a gas

forcing Ferrofluidics to seek new applications.

"One of the main new areas is in environmental technology," says Mr Glossop. "Whereas in semiconductor manufacture the ferrofluid seals were used to keep chambers free from contaminants, they are now being used to prevent unwanted vapours from seeping out."

The fluids are also being evaluated as a potential

ultrasound "couplant" for inspecting industrial equipment. Ultrasonic sensors work by emitting pulses of high-frequency sound and analysing the echo. To work efficiently there needs to be sor and the surface.

Traditionally pastes are used, but these can have air bubbles trapped within them, which distorts the signal, or else can leak out. Researchers from the University of Nottingham in the UK are assessing whether ferrofluids, which can be held in place magnetically, can act as a more efficient

Meanwhile, gas transport companies are investigating the possibility of using ferrofluid technology to magneties the adhesive that is used to join sections of pipeline. A magnetic glue could be positioned by external magnets much more precisely around

Another phenomenon associated with ferrofluids is their ability to "levitate" non-magnetic particles that are suspended in the fluid, causing them to rise to the top. When a magnetic field is applied to the fluid, the indiparticular way. This motion generates mechanical forces within the fluid, causing non-magnetic particles to be expelled from the fluid.

By varying the composition of the fluid and the size. of the externally applied magnetic field, it is possible to separate particles which have different densities. This could potentially be the hasis for large-scale separation processes

Meanwhile, at Heriot-Watt University in Edinburgh, Scotland, Wolf-Gerrit Fruh is investigating using ferrofluids as a lubricant to ease the flow of viscous liquids through pipes. Their use would mean less energy was needed to pump the liquid.

A second aspect of the project is to investigate whether a ring of ferrofluid could be positioned within a pipe and used as a valve to control the rate of flow of a

"It might be possible to have a liquid valve, held in place by magnets. By moving the magnets it would be possible to change the position or shape of the liquid in the pipe, enabling the position of the valve or the amount of gas going through



Staley to succeed Micek at Cargill helm

Ernest Micek, chairman and chief executive of Carglii, the largest private company in the US, is to give up the chief executive officer's role in June, and finally retire in August 2000.

Micek, 63, who joined the big agribusiness and industrial company four decades ago as a production shift supervisor at one of its soyabean processing plants, has chaired Carglii since

His replacement will be Warren Staley, who is two at the company, having been appointed president

early last year. Staley, 56, has been with Cargill for 30 years and has previously run the company's international feed and meat business; its North American operations; and its Latin American business, He will take over the chief executive's role from Micek

When Micek was named for the top job at Cargill in 1995, he succeeded Whitney MacMillan, a great-grandson of the company's founder. If top management of the Minneapolis-based company had passed outside the founding Cargill and MacMillan families, although they still have senior executive positions within the group and board seats. Nikki Tait, Chicago

Deutsche team to Goldman

Deutsche Bank's corporate and investment banking operation has suffered its first significant defection in nearly a year with the loss of its highly ranked European telecoms research team, led by James Golob, to Goldman Sachs.

Deutsche was yesterday believed to be especially peeved at the poaching because Goldman Sachs is acting as its financial adviser on deals including the planned takeover of Bankers Trust of the US and the sale of Australian operations. Golob joined Deutsche Morgan Grenfell in 1995 from S.G. Warburg as part of mid-1990s recruitment drive in which little expense was

Moving to Goldman with Golob are James Sawtell, Machado and Belinda Sartori. Most were members of the European telecoms team, which was placed second in last year's Extel survey rankings of investment analysts.

Their departure is the biggest exodus from Deutsche since US technology guru Frank Quattrone led his 120-strong team to Credit Suisse First Boston in the middle of

Golob's younger brother, Peter, came from Warburg at the same time and headed Deutsche's corporate advisory activities In telecoms until leaving for Merrill Lynch last year. Clay Harris, London

Slack leaves Anglo American

Hank Slack, one of the eight executive directors of the new Anglo American, has decided to leave the company in May. The announcement comes less than six weeks before AA, Anglo American Corporation of South Africa with its offshore sister company, is scheduled to get its London

listing. Slack, an American who has been with the Oppenheimer group for more than 27 years, and was at one point married to Harry Oppenheimer's daughter Mary, has been chief executive of Minorco for the past few years, and will continue in this job until the AA listing towards the end of May. Slack, 49, said he was leaving for personal Gillian O'Connor, London

Changing chairs

at Rio Tinto Three of the senior managers of Rio Tinto, the

London-based diversified mining group, are playing musical chairs. Oscar Groeneveld, head of technology, will become chief executive of the copper group. Jonathan Leslie, chief executive of the copper group, will become

chief executive of the gold

and other minerals group and John O'Reilly, chief

executive of the gold and

other minerals group, will become head of technology. The changes will take effect at the end of April. Groeneveld and Leslie will

retain their positions a

executive directors of Rio A spokesman for Rio said the changes were in line with the company strategy of giving senior executives exposure to a variety of

The company announced that since January 4 it has bought a further 10.95m shares in cash in its Australian aluminium subsidiary Comalco, which increases its holding from 70.4 per cent to 72.36 per cent. Average purchase price was A\$5.93 per

Australian rules allow a company to increase its holding in a subsidiary by up to 3 per cent over 6 months, without the purchase triggering the need for a full bid. The aluminium price, and hence the Comalco price, were depressed in the first quarter of this year. Gillian O'Connor, London

Minami heads Tokyo Electric

Tokyo Electric Power Company, Japan's power utility giant, has announced plans to reshuffle its management and has named Nobuya Minami, executive vice-president, as the new president He will replace Hiroshi Araki who is becoming chairman after serving three two-year terms as president since 1993. Shoh Nasu,

become adviser to the company.
This reshuffle, a regular occurrence, will be officially approved at a shareholders' meeting In June.

incumbent chairman, will

Minami, 63, a graduate of prestigious Tokyo University, joined Tepco in 1958. During 40 years at the company, he served as head of the planning division, then a director, and finally managing director before becoming executive vice-president in 1996. Nobuko Juji, Tokyo

Departures at Kvaerner

Kvaemar, the loss-making Anglo-Norwegian industrial engineering group, is slowly

appointed by its previous chief executive, Erik Tonseth. Kjell Almskog, Kvaemer's chief executive as of December, unveiled a radical restructuring la week involving an exit from shipbullding, provisions of NKr4bn (\$513m) and a cost-cutting plan to reduce

debt by NKr7bn this year.

The shake-up has prompted the loss of David Moorhouse and Edger appointments under Tonseth's reorganisation in October. Then, Moorhouse, 51, was promoted from head of the process area to take responsibility for long-term.

strategic development. He resigned two weeks ago amid conflict concerning Almskog's new direction for the company. Edgar Fossheim, 49, stepped down earlier this year after having recently been appointed to head Kvaemer

In the near future the group will appoint a chief financial officer to replace Jan Magne Heggelund, who resigned this month as interim chief financial officer and chairman of the industrial products group. Valeria Skōld, Oslo

Sir George to Short Bros

Sir George Quigley, one of Northern Ireland's best known businessmen, is to become chairman of Short Brothers, the Belfast-based serospace company owned by Canadian conglomerate Bombardier.

He will take up the post from May succeeding Sir Roy McNulty, who is to become a board member of the National Air Traffic

Sir George is currently chairman of Uister Bank, NatWest's Irish subsidiary. He was formerly finance secretary in the Northern reland civil service.

In recent months, he attracted attention because of his leadership of the G7 group of business and trade Union organisations which urged politicians to agree to a compromise to allow the implementation of the Good Friday peace agreement.

The group was set up in the wake of the Drumcree marching dispute in 1997 which caused widespread disruption to the local есопоту. John Murray Brown, Dublin

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Equity markets dogged by poor liquidity

After a lukewarm start to the year, European markets may be seeing the start of a return of retail investors, writes Jeffrey Brown uropean equities have charts since the Buropean control Bank sliced an unexpectedly deep 50 basis points pectedly deep 50 basis points bourses have pushed up to best ever levels, but invesper cent on April &. tors in the core economie underperformance of Euroremain deeply sceptical of pean equities has been unex-

Oslo, last year's backmar-ker, has rallied powerfully this year on the back of the recovery in energy commodity prices, and Helsinki has also hit peaks. But the broad swathe of leading stock markets, nota-

bly, Frankfurt and Paris, have stayed doggedly dull. While Wall Street has powered ahead, setting records almost daily, equity investors in Europe have been

In the US, the Dow Jones

Industrial Average has risen

more than 14 per cent this year while the FT-S&P World index has put on 9 per cent in local currencies. The contrast with Europe is marked. This year the FTSE Eurotop 300 index has

have been maintained improved just 6 per cent. Moreover, half this upturn

Flows of funds into European mutual funds, widely

seen as the key marginal are still substantially short of the boom levels achieved during early 1998. Lately there has been a glimmer of hope. According

to Salomon Smith Barney, net inflows into European mutual funds improved in February for the second month running, rising to inflow was a full \$2bn down \$4.8bn and racking up the on the average monthly second best monthly figure over the past seven months. inflow last year, while a more direct comparison with gests that the upturn in the gap significantly.

Suropean fund intake may

through March - at least for UK equities.

As leading suppliers of hard to escape the impres- new investment money,

is nothing more than rela-

tively lukewarm.

side by side with life insur-Continental European experience is difficult to the UK created £9bn (\$5.6bn) of additional funds in 1997.

of last year, average tionship cannot be fully monthly inflows were closer transposed to the euro-zone mutual fund flows are a key indication of equity market

numbers are imbued with a the seams in the third quarter of last year when the FTSE Eurotop 300 was rapidly heading

border flows recovered impressively in the final three months of 1998. while life funds accounted Net purchases of European equities by foreign investors turned negative in August result, the third quarter was

> barely in surplus. But the subsequent recovery was dramatic. A record

portfolios. In Europe, the

ratio is a more modest 25 per

One corollary to mutual

fund inflows is total cross-

border flows of funds and

here the trend is possibly

more encouraging, although

given the time lags involved

in their compilation, the

down towards the lows it

cent - but growing fast.

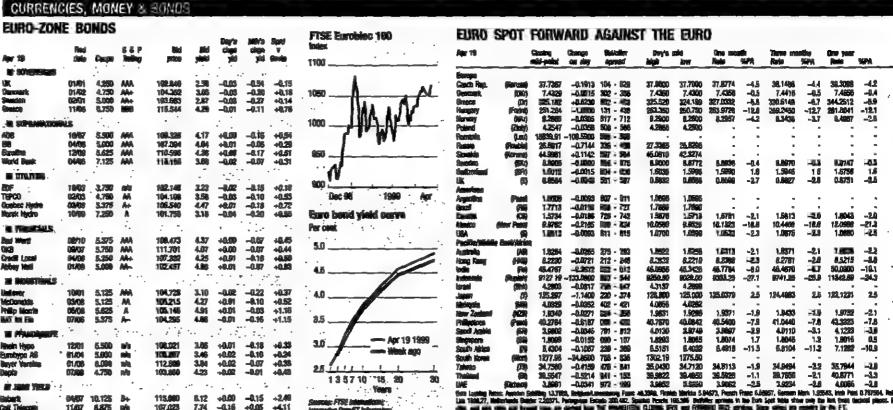
In the UK, equities November boosted the averaccount for the best part of 90 per cent of mutual fund age for the quarter up to around \$27bn.

The UK and Germany accounted for the bulk of the November investment bulge; According to Salomon Smith Barney calculations, it is these two countries, flanked by the Netherlands, that should gain the most from: upturns in mutual fund

Although it makes no bones about the subdued level of liquidity since last aving fallen apart at summer. Salomon Smith confident that fund flows can start to enhance equity

This partly reflects the is expected to shift European savers away from cash and into higher-return equity

months before inflows return to the \$9bn monthly. when they do retail inves-tors will be back firmly in



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Brazil joins emerging market rush

NEW ISSUES

By Edward Luce in London and lohn Barham in São Paulo

Brazil yesterday launched its exchange for two first international bond in more than a year in what is the other a si becoming a stampede by exchange. Pricing emerging markets to issue foreign bonds.

The Brazil bond, which will be between \$1bn and \$5bn depending on investor demand this week, is expected to be followed by a debut launch from Chile and possible issues from Bulgaria and even Malaysia in the near

Last week Mexico, Hungary, Colombia and the Korean Development Bank all issued dollar bonds.

The yield spread on the J.P. Morgan Emerging Market Bond Index yesterday the country's improved econarrowed by 11 basis points to 881 basis points by early evening in London. This is roughly equidistant between the index's record high and

about how sustained this recovery is still pretty thin. change in profile, but there

The Brazil offer effect he divide two separate bond ing Brady bond ratio of Brady bo new global bonds priced to yield 3' points over comparable US

Treasuries. The latest bond issue was widely expected given Brazil's faster than expected recovery from January's 39 per cent devaluation of the

rique Cardoso said growing international recognition of nomic health should allow the government to issue a first half of the year.

Dany Rappaport, chief economist at the São Paulo "There is a question mark office of Santander Investment, the Spanish investment bank, said the new banker. "After all, the Asian bond would bring "no great

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It wouldn't take much to New international bond issues

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in quality". The value of EI bonds, one of the securities eligible for a straight equity-style offerthis operation, rose to 81.84 per cent of face value at midsession yesterday, up from 80.1 on Friday. The more liguid C Bond, which is not being included in this deal, rose to 71.84, its highest point this year.

to recent subordinated offerings by other European insurance companies, such as Swiss Re. which have Elsewhere, AMBV Leven, offered tier-two deals. a subsidiary of Fortis, the The three-tranche bond,

geted at banks, and (unusually) a large fixed-rate ing in the form of a bond. tranche targeted at insur-The €650m issue would count as tier-one regulatory ance companies. capital for banks, in contrast The offering is "noncumulative", which means

years, was split into a large

that investors would forgo Interest payments during any period the company was in financial distress and had

Pakistan move on debt delays inevitable in Paris Western donor countries are insisting on a reserving country's international sovereign Dakistan's

Dakistan's decision to bankers say the Paris Club delayed an inevitable discussion on the controversial issue of restructuring its

international bonds. The country agreed with the Paris Club in February to restructure foreign debt worth \$3.3bn. The Club has taken the view that the burden of restructuring must be shared by lending governments, banks and individual investors, to ensure compa-

The country's four sovereign bonds are worth only a modest \$750m but their future has caught the attention of analysts in financial markets, who say the decision on Pakistan could have a landmark status for Third World debt. Many predict that the case of Pakistan could be used as a precedent in other cases, such as

Pakistan finance ministry officials are expected to travel to Paris early next month in another attempt to convince the Paris Club to back off. That meeting would be crucial as it would come shortly before Islamabad is due to make a \$15m coupon payment on a \$300m floating-rate note on May 28. Then, on June 25, comes a navment of about \$18m on a

Mr Dar says that under the terms agreed with the Paris Club, Pakistan can continue making the payments until such time that an agreement on bonds is reached, suggesting that making the two payments

would not be a problem. But capital markets.

\$150m FRN with a put

postpone a meeting with is likely to insist the payits western donors in ments be deferred in favour Paris this week has only of a bond restructuring deal. Pakistani officials say if it agrees to restructuring

bonds, the country would be unable to access international markets for several

Mr Dar argues against the restructuring "Bonds are a

> There is no clear-cut mechanism for restructuring.

especially because a forced restructuring has not been attempted before'

different type of animal than outright foreign debt, so it's

not that straightforward," he says. "There is no clear-cut mechanism for restructuring, especially because a forced restructuring has not been attempted before." Government officials say a

bond restructuring could be followed by negotiations with hundreds of investors, and there may be litigation too. "It's a can of worms which would be hard to shut once it's opened," says one.

But some bankers argue that a restructuring may not cause as much harm to Pakistan as the government thinks. That's mainly because considerable damage has already been done to its investment outlook, convincing many that even without the fall-out from restructuring, future issues may carry a "junk" status in

past two years to launch. investigations into alleged corruption in the case of 19 private power companies. each with foreign commercial debt and/or partial foreign ownership, has already caused considerable damage

to the investment climate. Businessmen say the investigations were a politically-inspired witch-hunt, meant to smear the power projects that were established while Benazir Bhutto. now the opposition leader,

was prime minister. The fall-out may carry on for many years, and new investments are unlikely. whichever way the bond issue is settled," says one leading businessman

Additional problems include Pakistan's weak economic outlook. The central bank's most recent report for the economy has scaled down this year's gross domestic product growth estimates to between 3.5 per cent and 4 per cent - down from a target of 6 per cent. This is offset by increased

demand for more public expenditure as population grows by about 2.7 per cent. Bankers such as Zakir Mehmood, country head at French bank Credit Agricole Indosuez, say the international perception of risks tled to emerging markets could affect Pakistan for two

to three years. Ali Raza, country head at Bank of America, says even If Pakistan can convince the Paris Club to withdraw its demand for restructuring bonds, the terms the government would have to offer for future issues "would be pro-

正理 編

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Late rally in the euro-zone sector

BENCHMARK BONDS

By Florian Gimbel in London

Government bond prices finished ahead after having seen lower prices for much

of the session. European bonds were initially weighed down by a falling euro and weakening US Treasuries. But comments by Wim Duisenberg. president of the European Central Bank, combined with a recovery in the US. sparked a late rally in the

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

8.800 100.6100 5.300 108.3500

euro-zone markets.

pean Parliament's monetary affairs committee, Mr Duisenberg said the recent ECB rate cut was to signal that it would not be repeated for the time being.

Speaking before the Euro-

"I cannot define for the time being', but it is longer than the foreseeable future. he said. This has led analysts to believe there will be another euro-zone interest

rate cut in September. "The European yield curve continued to steepen as the short and rallied in hope of another rate cut. The long and, however, was hit by

-0.06 -0.03 -0.34 - +0.08 -0.12

-0.12 +0.05

+0.08 +0.07

0901 8,000 104,0100 2,82 H0,00 +0,01 -0,25 -1,36 0308 3,760 96,8100 4,14 - +0,08 -0,05 H0,81

8.000 108.7800 2.12 -0.02 +0.02 -0.25 8.000 114.9800 4.21 -0.01 +0.04 -0.13 4.000 101.4600 2.70 -0.02 -0.02 -0.30 8.000 107.5900 4.08 -0.02 +0.04 -0.09 profit taking," said Nick escalating and could soon hit 99%, yielding 5.027 per cent. Sharin at Norinchukin plc, adding that the Euribor was now suggesting a euro-zone Interest rate of 2.80 per cent.

The Kosovo crisis led the the euro to a new low, which in turn weighed on market sentiment in Europe. "The impact was not dramatic, but Kosovo is there as an issue," said Glann Davis

at Credit Lyonnais. He said a dragged out conflict could hamper European governments in their attempts to meet budget deficit targets. The cost to the UK, for example.

BOND FUTURES AND OPTIONS

96.97 96.79

Change +0.84 +0.94

23m a day, according to mill- The week ahead is expected tary experts. Higher deficits could lead to higher public refinancing requirements, thus heightening supply concerns in the debt markets. After paring initial losses,

moved at mid-day, in spite of a blue chip rally on Wall Street. The 30-year bond, the benchmark for long-term interest rates, gained 🛓 to 95%, yielding 5.569 per cent. The 10-year note was

61,722

28,939

US Treasuries were little

increased the likelihood of another interest rate cut. Stronger than expected March producer price figures failed to impress the market. "The core inflation (striping unchanged at 96%, yielding out oil prices and the budget 5.219 per cent, and the two-effects] was actually was already year note was down h to benign," said Mr Sharin.

to be slow in terms of fresh

economic data, with new

again after a last week's

severe underperformance.

The strengthening pound

supported the rebound as it

UK gilts were shining

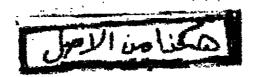
trade figures due today.

US CORPO	RAT	E BO	NDS						INTERNATIO	MAL	BON	DS					::.:
Apr 16	Red	Coupn	e e p Rotting	Bid price	Bici yleki	Day's chgs yid	Altiris chga yid	Sprd V Sprins	Apr 19	Fled	Caupon	5 & P Tinding	84d price	Bld yld	Day's chos yid	sens ofice yet	Openal Quety
Pec Bell Ny Tol CME	07/02 08/25 06/08	7.25 7.00 8.00	A+	104.5512 98.3987 117.5226	5.85 7.13 6.17	+0.04 +0.04 +0.05	-0.04	=5.06 +1.57 +0.96	ELS EB ABH Amro Cuebec	04/07 08/07 01/07	7.280 7.125 7.100	A4A A4— A4	108,8814 104,0228 105,3027	5.86 6.47 6.13	+0.05 +0.04 +0.04	+0.02 +0.10 +0.12	.+0.87 +1.28 +0.94
HE FEMALU	05/07	8.75	AAA	117.5240	5.98	+0.08	· .	+0.77	Cilicorp FFIN IN CS Barrer L=Bk	02/04	, 5,965 9,500	AA- AAA	39,0489	5.29	+0.04	-0 88	14 5 X
Banc One CMA Fin	08/02 01/18	7.25 8.95	A.	104.1433 95.2529	5.83 7.42	+0.05	+0.02 -0.00	+5,83 +1,86	Toronto (M of) Bell Caneda (Managam IV SIM	05/04 07/99 09/02	8.500 10.025 8.876	AA+ A+	113.4284 101.1640	5.44 5.41 5.10	-0.02 -0.04	-0.22 -0.42	+0.19
WINDOWNALS WHICH THEIR Whi Mari	04/99	6.25 8.75	DB0+	100,0000	5.38 5.41	H0/14	-0.33	+0.91 +5.41	E C	12/07	7.625	M-	100,9672	5.55	-0.01	-0.15 +0.11	+0.62
Deyton Hud	08/21	9.70	A -	132,4258	6.10	+0.05	+0.03	+1.27	Drendner Elk British Gue Abber Not FRN	12/07 03/00 02/02	7.790 7.825 5.587	## ##	111,2988 101,0000 99,9548	6.63 6.68 6.00	-0.02 -0.11	+0.12	+1.39
FILMC SLMA FIGUA	04/07 03/00 02/18	7,14 7,50 8,95	N/A N/A N/A	108.1244 102.081 <i>8</i> 131.3809	5.85 5.15 6.11	+0.05 +0.04 +0.04	+0.08 -0.02 +0.06	+0.64 +0.69 +0.55	# 1478 EB	01/08	3.750		104,0264	3.21	+0.02	+0.10	+0.83
HICH IN INTER YORLD	08/06	6.95	NA	118.5000	5.74	+0.06	+0.05	+0.53	Brit Columbia Hydro—Cuebec Gen Sect.	02/02 05/01 09/01	3.250 6,750 1.250	AA N/B	104,1033 100,0034 89,7382	1.75 2.32 1.31	+0.01 +0.01 +0.01	-0.19 -0.25 -0.23	+0.23
Stone Cort AK Sti Paceite	02/01 12/01 06/04	9.66 9.13 10.75	B 185= B-	101.7900 106.2500 98.0000	0.00 0.00 0.00	Ξ	=	=	IBRO (World Sk)	03/02	6.250	AAA	114.2089	0.34	-0.03	-0.11	-0.02
HF calcal Standard & P	A			hasis.	(Appendix	rianathe.	Date (FT le	ionation.	Spain (Angdom) Oted Fancier Itely (Rep of)	03/02 08/02 07/99	5.750 4.750 0.516	W.	115,6247 112,6236 100,0162	0.36 2.85 0.06	-0.03 -0.03 -0.03	-0.12 -0.08 -0.13	+0.48
US INTERE	ST F	RATE							BRD (World Blq Hw Sin Wales Tr & Aus Gov Fin	02/08 05/08 08/03	5.500 5.500 7.750	AAA n/a AA	102.8818 105.9191 107.9327	5.58 5.62 5.57	+0.04 +0.05 +0.05	-0.10 -0.11 -0.14	+0.21 - +0.36 +0.57
Prime rate	65 45	Time	nordi nordi nordi	43	Three	year year year		. 5.03 6.13 5.24	BMAC Aust Limbo obeing Simulati & Poor's (sings	06/01 Yields L	9.000 Acal raying	n/a Stindent	107,0468	5.33	+0.04	-0.24	+0.55
Fed.lunds at intervent	NOT 4/8	PAGE A	·	4.8) 30-ja			5.59								٠.	
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US INTE	nesi i	m.		Treasury	Bille a	nd Bond Y	Yleide			. Aus Gov MAC Aus		06/03 05/01	7.750 9.000	AA n/s	107.932		7 +0.		+0.57
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FedJunds at Interv	ngmalion 4);	One e			4,89	30-juw		ā.										٠.	
UK BON	IDS											-		_			_		
FTSE Act	uaries	Gover	nmer	nt Se	curiti	ies												111/15	ممالم
Price Indicas UK Bits			Day's /	Iccrued		Total Return	Yield	Duration Years	% Weight	Index	r-limited			Mon Apr 19		Accruse Interesi	i xoʻnd		dices
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UK GILT	_ Yield	Prio 17 100 42 98 100,31	00 -0100	103.82 100.50	100.42 98.84	Treas 7 Apr Treas Bpc 2 Treas Ppc 2	2006 2006 2006 2008	±3 Int 8.98 7.40 7.31 6.37	Red 4 58 12 4 73 13 4 74 11 4 98 19 4 71 11	7.5400 +.0 1.5900 +.0 8.5800 +.0 9.4500 +.0 7.7300 +.0	or - High 1400 125 31 1400 135,21 1500 122,40 1500 121,63	113.85 123.96 110.47 104.96	21-200 103 21-200 103 21-200 103 21-200 103 41-200 104	ind (7 (18	(N) - * 1.41 (83) 252 (86) 211	3.05 1 2.94 2 2.36 2	98.3300 - 93.7700 - 95.8500 -	-1700 198 -1700 206 -1600 207	0h · L0H .18 191.3 .40 197.8 .83 195.3 .77 128.2
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-0.13 -1.97 -0.22



Yen's climb knocks euro to new low

and Christopher Swano

The yen rose against the dollar and euro yesterday as continued strength in Japanese stocks suggested that capital flows would keep it

By the close of London trading yesterday the yen was at Y118.1 against the dollar and Y125.3 against the

The yen's rise against the euro again pushed the European currency lower. The euro hit another lifetime low against the dollar and sterling yesterday, closing at the end of the London session at \$1.061 against the US currency and £0.653 against the

The weakness of the euro was not helped by comments from various officials playing down the importance of the currency's recent level

493.902 1.1982 2940.89 61.2701 3.3471 12.5556

5.25

525

Benk of India

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Invested Bank (UR) List 25

525

Dominique Strauss-Kahn, the French finance minister, said in an interview over the weekend that he saw no problem with the recent depreciation of the currency.

large effect on the euro because of a perceived asymmetry in the markets.

Many analysts have said that the fear that the Bank of Japan will intervene has put a floor under the dollar, meaning that the euro has suffered disproportionately from the yen's recent strength.

Derek Halpenny, currency analyst at the Bank of Tokyo-Mitsubishi in London, said that the probable trigger-point for Bank of Japan

ŧ	PO	OND IN N	EW YORK
•	Apr 19:	<u>stest</u>	Prov. close
	£ spot	1.8070	1.6135
	T mails 3 crets	1.6065 1.606g	1.8130
i	1 yr	1,6086	1,8127

61.4810 17.3327 9.0620 9.0908 2.9818 495.781 1.2006 2651.481 3.3597 12.6183 305.587 251.620 13.5412 2.4412

2,9420 496,407 1,1676 2019,79 3,1220 12,4768 302,122 260,900 13,3942 2,4147

fallen. "In earlier episodes the market focused on Y110 as the key level, but now a mean intervention,"

dollar may have had such a Uncertainty over the duration of the Kosovo conflict Greek drachma yesterday, which slid beneath last week's resistance point of

Dr325 against the embattled

The latest slide was trig gered by finance ministry suggestions that a protracted crisis could trim more than 0.2 percentage points off 1999 GDP growth, previously forecast at 3.5 per cent. But bar-ring any escalation of the conflict, analysis expect the drachma to firm.

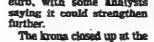
"Any move below Dr326 would most likely spark renewed intervention " said James Daniel of Credit Sui-The imposition of rather

tion under control. Overall market reaction he added, with the drachma falling just over 1 per cent since the start of the con-

measure of the central

bank's concern to keep infla-

day crept higher against the



end of London trading at SKr8.891 against the euro. baving opened around Stewart Newnbam, cur-

ency strategist at Commerzbank, departed from market consensus yesterday by predicting an appreciation of the krona to SKr8.50 against the euro. The krona has lagged the rally of commodity currencies led by the Australian and Canadian dollars," he said. A conviction that Sweden is destined to join the next wave of European Monetary Union,

37.7010 2.0595 7.7264 107.570 155.509 8.3029 1.4668 1.6112 1.4668

euro, with some analysts he argued, had caused the krona to shadow the euro

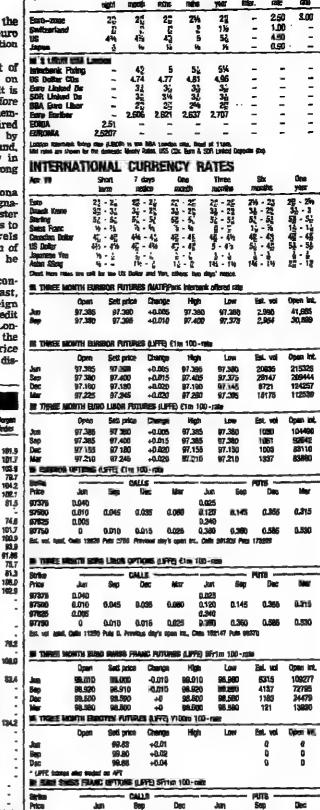
> With over 25 per cent of Swedish exports based on commodities, he added, it is only a matter of time before fundamentals reassert themselves. "A rise in desired inventory levels, fuelled by increased industrial demand, suggests that the rally in commodities will be strong

> had weathered the resignaand a fall in interest rates to below euro-zone levels reinforced the impression of a robust performance, he

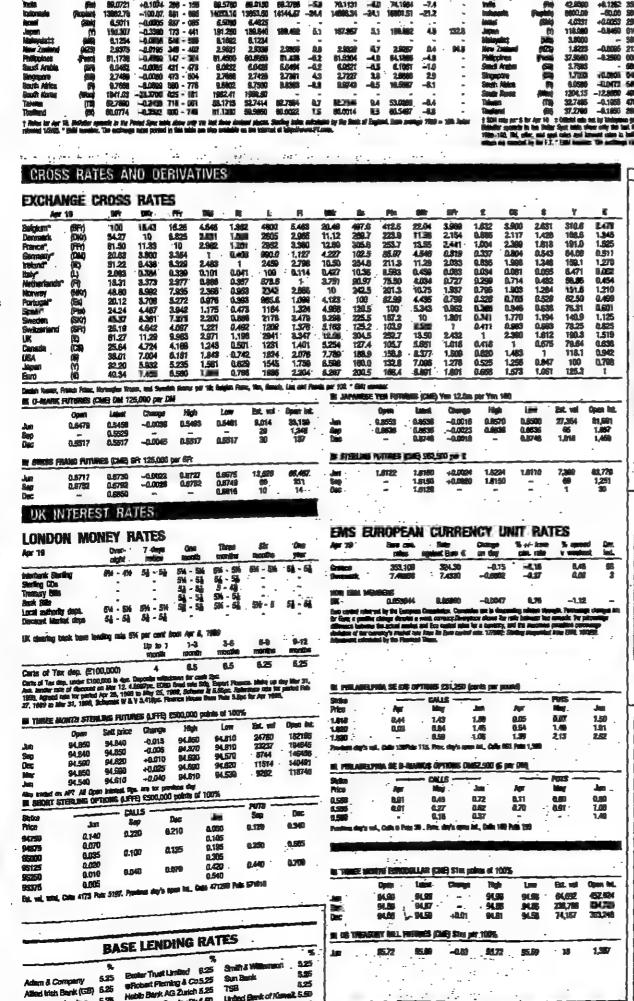
Others were less convinced. Joe Prendergast, exchange research at Credit Suisse First Boston in London, was neutral about the krona. "Commodity price counted," he said.

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WORLD INTEREST RATES



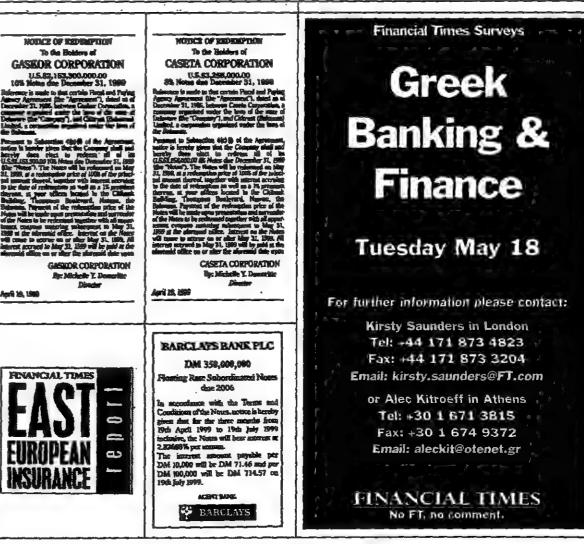
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Nico Colchester journalism fellowship

Applications are invited from young European journalists and would-be journalists for the 1999 Nico Colchester fellowship. This consists of a three-month internship at the Economist in the autumn of this year, a bursary of £4,000 to cover travel and accommodation, and a small weekly stipend from The Economist.

The fellowship is established in memory of Nico Colchester, who died in 1996 at the age of 49, after an outstanding career at the Financial Times, The Economist and the Economist Intelligence Unit. Nico was one of Britain's finest writers on foreign, especially European, affairs as well as technology and business.

The trustees of the Nico Colchester foundation will award the fellowship to the applicant, from the European Union country other than Britain, who submits the best, specially-written 1,000-word article, in English, on a topic relevant to political, economic, technological or business issues in Europe. As Nico's work was characterised by its originality and humour, preference will be given to applicants who reflect those traits.

Entries, by the closing date of May 31st 1999, should be sent with a CV and covering letter, to: The Editor (Nico Colchester prize), The Economist, 25 St. James's Street, London SW1A 1HG. E-mail:

This prize is supported by Halifax plc, the Financial Times, The Economist, B.A.T. plc and 3i. The 2000 fellowship will consist of an internship at the Financial Times

Revival seen in commodity producer shares Cocoa future

By Staphen Wyatt in Sydney, Edward Alden in Toronto and Greta Steyn in Johannesburg

decided that commodities cent over the past week. have bottomed. Sydney. Johannesburg and Toronto, home to big resource companies, are seeing a revival in commodity producer equities past week. Western Mining products stocks were up as international institutions scramble to correct their underweight positions.

naries Index closed at its yesterday of A\$26.13. fifth consecutive record high yesterday, driven by markets are also strong. Bet- ing into platinum, steel, economic crisis has passed,

BHP, Western Mining and sified on the Toronto Stock and plastics shares. Rio Tinto. The Other Metals Exchange last week with

BHP reached A\$17 yester- the underlying commodities. day, its highest since September 1997 and up more posite index rose 17.3 per than 25 per cent over the cent while paper and forest Corporation rose 36 per cent in the past week and MIM Holdings 31 per cent, while The Australian All Ordi- Rio Tinto hit a record close

The Toronto metals com-

more than 16 per cent. The long drought for resource stocks on the Johannesburg Stock Exchange has also come to

Index, which represents base metal, gold, forest product stocks, led by foreign inves-The equity markets have metal stocks, rose 24 per and energy stocks largely tors, has lifted the JSE's secoutpacing price increases in tor index about 18 per cent in little more than a week.

Local fund managers were caught by surprise by the rush into commodity stocks. although some shares, such as steel producer Iscor, have been attracting foreign interest for some weeks.

much to do with the rela-

tice of fixing the minimum

cane price, which does not

take into account the indus-

paving high prices for cane.

"Not only are the factories

try's capacity to pay.

While some argued that the rise was due to optimism Resource stocks in other an end, with investors pour- that the worst of the global

resource stocks such as ting on cyclical stocks inten- paper and pulp, chemicals others warned that market and the slowdown in global momentum has prompted Demand for resources investors to push share prices to levels higher than warranted.

An analyst said resource stocks typically started run-selling of metals and instituning eight to 12 months before an upturn in the cycle was expected.

This sudden swing to resource stocks is by institutions, especially US funds. resulting from their view that resource stocks have fallen to such low levels that most of the bad news about the collapse in Asian growth

growth has been discounted. "A remarkable divergence has emerged between the views of those actually involved in the buying and

Lennon, analyst at Macquarie Bank. He points out that the trade has become more negative about 1999 demand, while institutional investors have become "massively

tional investors," said Jim

contracts at six-year lows

MARKETS REPORT By Paul Solman, Robert Corzine

and Gillian O'Connor

their lowest for six years and are expected to take further losses this week.

The most actively traded contract on the London International Financial Futures and Options Exchange has lost £200 a tonne since the beginning of the year, and is standing at around £750. This time last year it was at £1.200.

Analysts said there was of forecasts that the current 1998-99 season would show a world supply deficit of 65,000

Many chocolate manufacturers, the main cocoa consumers, are adopting a "justin-time" approach to supplies. "Although there has been a statistical deficit this responding because manufacturers have let their coverage run down and are not buying," said Judith Ganes at Merrill Lynch in New

in addition, exports from Ivory Coast, which supplies 40 per cent of the world's cocca, are plentiful, with recent good weather boosting the crop outlook.

Other leading cocoa producers, such as Ghana, Indonesia and Nigeria, are also expecting bumper crops this year. Forecasts for next season

are even more bearish, with some analysts predicting a world surplus of about 36,000

On the demand side, Russia's economic problems have depressed chocolate consumption, and there has been a knock-on effect at big processing plants in Gernany that export to Russia.

tonne yesterday, £4 higher than Friday's close

Coffee prices rose on reports of near-freezing over-Cocoa futures are trading at night temperatures in Brazil that could damage coffee trees. Liffe's May robustacoffee closed at \$1,490 a tonne, up \$13 on Friday's finish. August white sugar was down 90 cents at \$179 a tonne in late trading.

Oil prices continued their upward trend yesterday, with the beliwether Brant Blend for June delivery hitting a 15-month high. In late trading on London's International Petroleum Exchange the June Brent futures contract was quoted at \$16.02 a barrel, 33 cents up on Friday's close.

Brent was supported by buying activity on the New York Mercantile Exchange, where the May and June crude futures contracts moved higher in response to season, the market is not a refinery fire in Indiana.

Jet fuel prices in Europe continued to firm as a result of increased consumption due to the Nato air offensive

over Yugoslavia. With the exception of tin. prices of all the base metals finished yesterday higher on the London Metal Exchange,

after a shaky start. Sentiment was encouraged by the continued strength of mining shares and Rudolf Wolff's technical analysts described the fund-led gains in copper as "encouraging". Aluminium gained strength

from copper The gold price did precisely nothing after Switzerland took its first step towards selling gold: the afternoon fix on the London bullion market was unchanged from Friday's dium price continued to rise on fresh worries about

delays to Russian exports.

Indian sugar growers take Delhi to task over imports

The arrival of 1.4m tonnes has caused a fall in prices, much to the annoyance of domestic producers, writes Kunal Bose

india, the world's largest ing stocks at the factories eral government raised the sugar, is planning to restrict further imports of sugar in the current season (October to September) as traders have already contracted for the import of over 2.2m tonnes.

According to the Indian Sugar Mills Association, the arrival of nearly 1.4m tonnes of foreign sugar from the contracted amount has caused a fall in prices much to the annoyance of

domestic producers. "As huge imports are made, despite plentiful local production, the Indian industry is set to lose up to Rs15bn (\$351m) in 1998-99. Indian sugar factories, which are required by law to give 40 per cent of their production to the government at well below the cost of production for distribution through ration shops, must be able to realise good prices in the open market to earn profits. However, this is not happening in the current year due to imports," said O.P. Dhanuka, of the ISMA.

The low prices and mount-

producer and consumer of will restrict the industry's customs duty on sugar from ability to clear the cane bills of farmers within the stipulated period of two weeks.

"Our record in settling cane dues so far this season is satisfactory. But the factories are now coming under considerable economic and social unrest in the captive cane growing areas of sugar

Trade officials say that while Pakistan sold nearly 800,000 tonnes of sugar to India, the other big suppliers

"Pakistan gives a hand-

son must be completed by the end of June as the monsoon would set in by then.

5 per cent to 27.5 per cent. There is also a duty of Rs850 a tonne to offset excise duty

besides excise duty. All this makes importing a highly rewarding proposition. But

distribution controls on the local industry should be extended to imported sugar. We want a level playing field



their production costs go up. Rs1,200 a tonne over locallycountry will have end of sea produced sugar. This has got We are not operating in a son stocks that will take

free environment," said Mr

tively high cost of local pro-Dbanuka. As the controversy over Experts say consolidation imports becomes fierce. of capacity through mergers India is to produce at least will improve operational effi-15.2m tonnes of sugar in the ciency but the government must also give up the practonnes in 1997-98.

> been more but for the fall in the recovery of sugar in a number of cane growing states, which received more rain than normal during the last monsoon.

Production would have

The country opened this season with stocks of 5.4m tonnes. Imports are expected providing for domestic con-

year as production will breach the 1996-96 record of ment has fixed the minimum cane price at such an attrac-

care of domestic demand for

more than six months in

Mr Dhanuka says sugar

prices "will collapse next

tive level that farmers will commit a lot of extra land to this plantation crop for the пехt season". Industry officials say India can start exporting sugar if it is freed from all controls. However, they also want subsidies for exports, which

the government does not

JOTTER PAD

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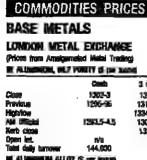
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Loco Ldo Mean Gold Leading Rates (Vs USS)

pressure. Unpaid bills cause factories," said an official.

are China and Brazil.

some subsidy to export. The the collapse in freight have helped Brazilian exporters. Chinese production costs. Thailand has now targeted the Indian market, where it has sold about 50,000 tonnes," said Mr Dhanuka, Trade officials said sugar imports for the current sea-

Precious Metals continued

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on locally-produced sugar. Even after the revision. Indian import duty on sugar is the lowest in the world. "From procurement of cane to distribution of sugar, the government exercises rigorous control over the domestic industry. It is also subject to a variety of taxes

the government has seen our point and we expect the customs duty to be raised to at least 40 per cent," said Mr "We also want the govern-We don't know much about ment to requisition 40 per cent of imported sugar for public distribution at lower than market price. The other

The imported sugar has a In one year, the Indian fed- cost advantage of more than

but they must also continue with crushing until no cane is left in the field. The recovery of sugar from cane goes down as the summer beat increases. But as the factories cannot stop crushing.

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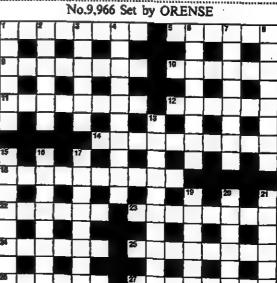
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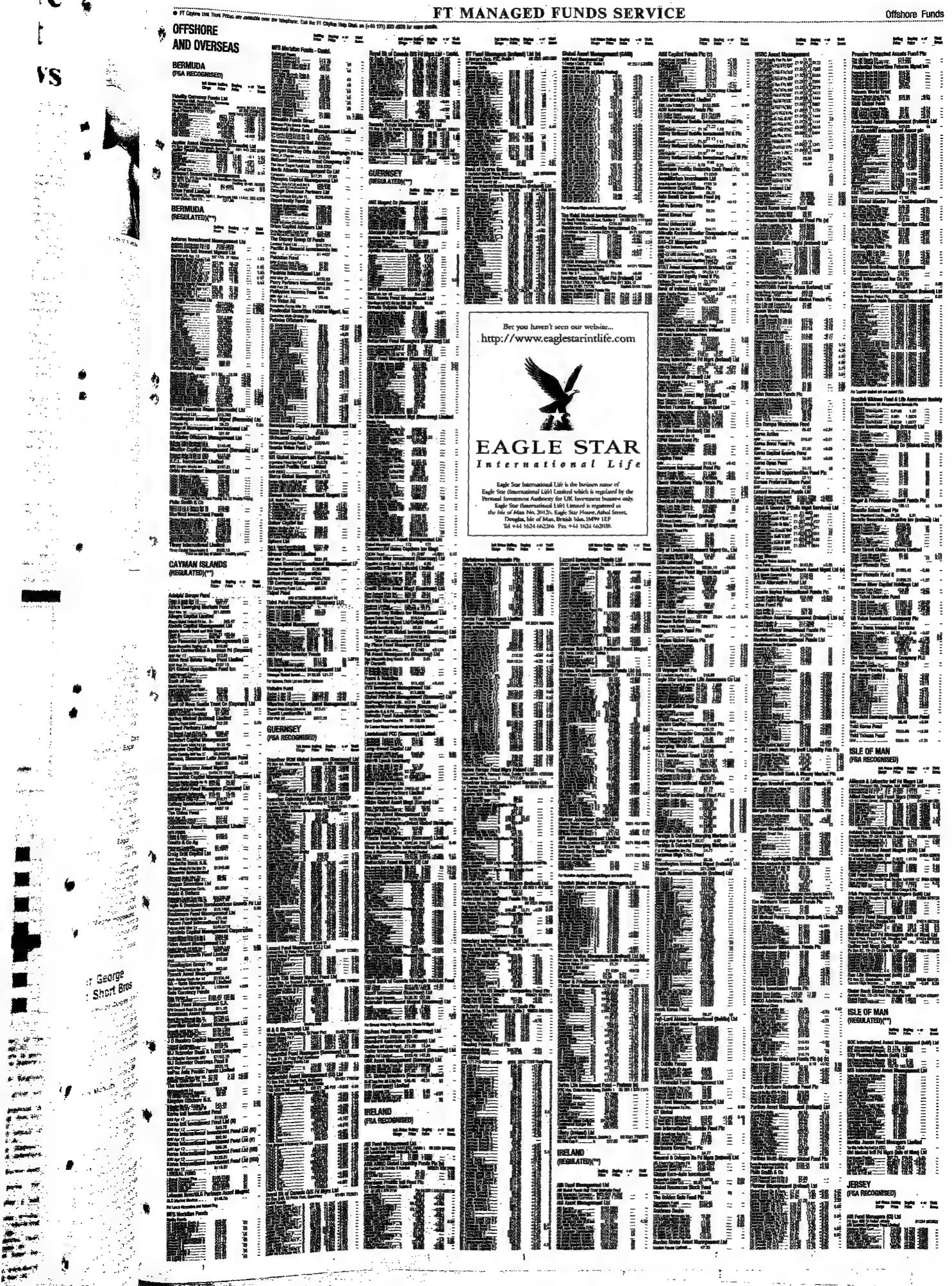
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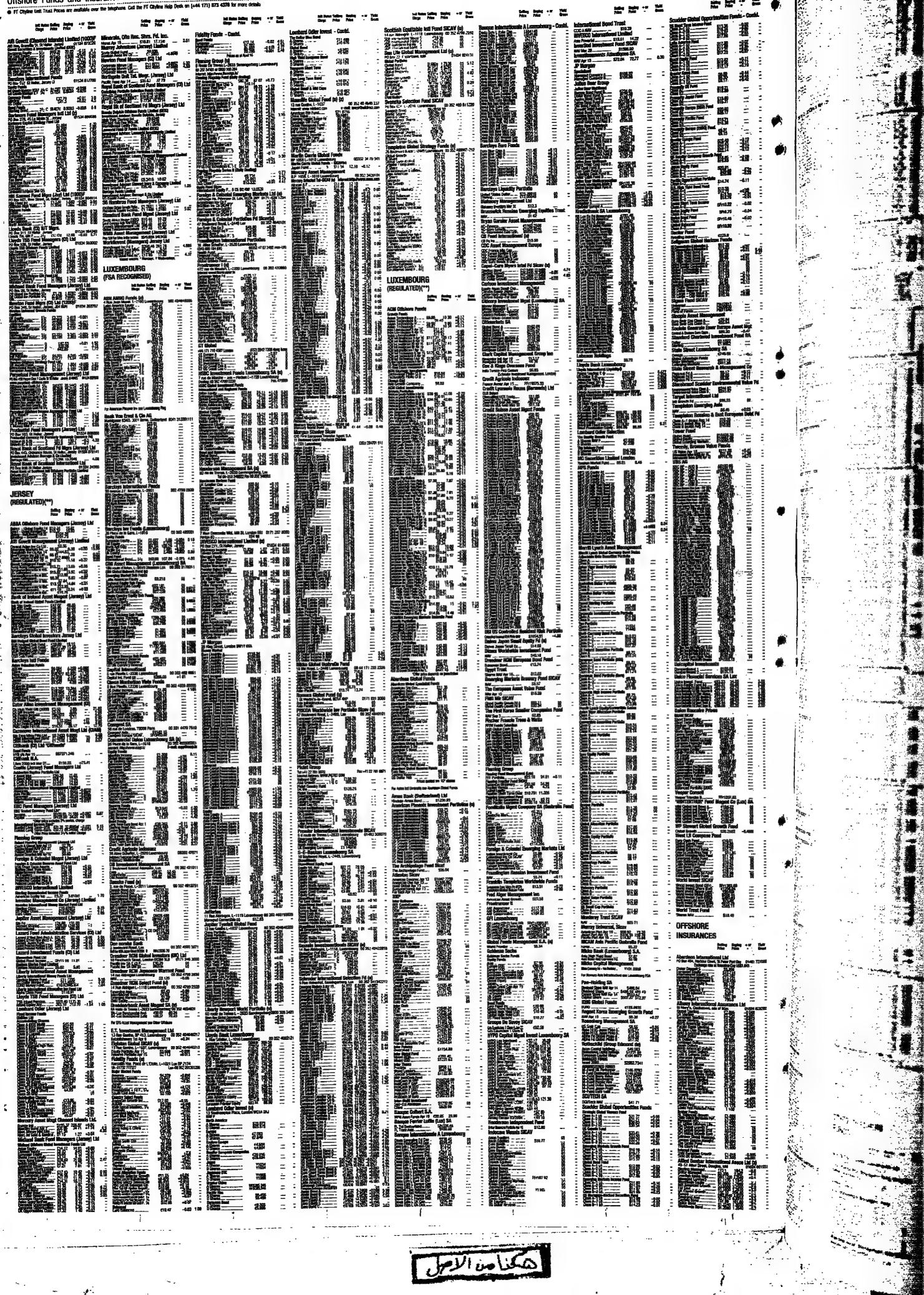
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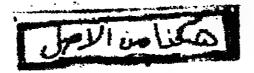
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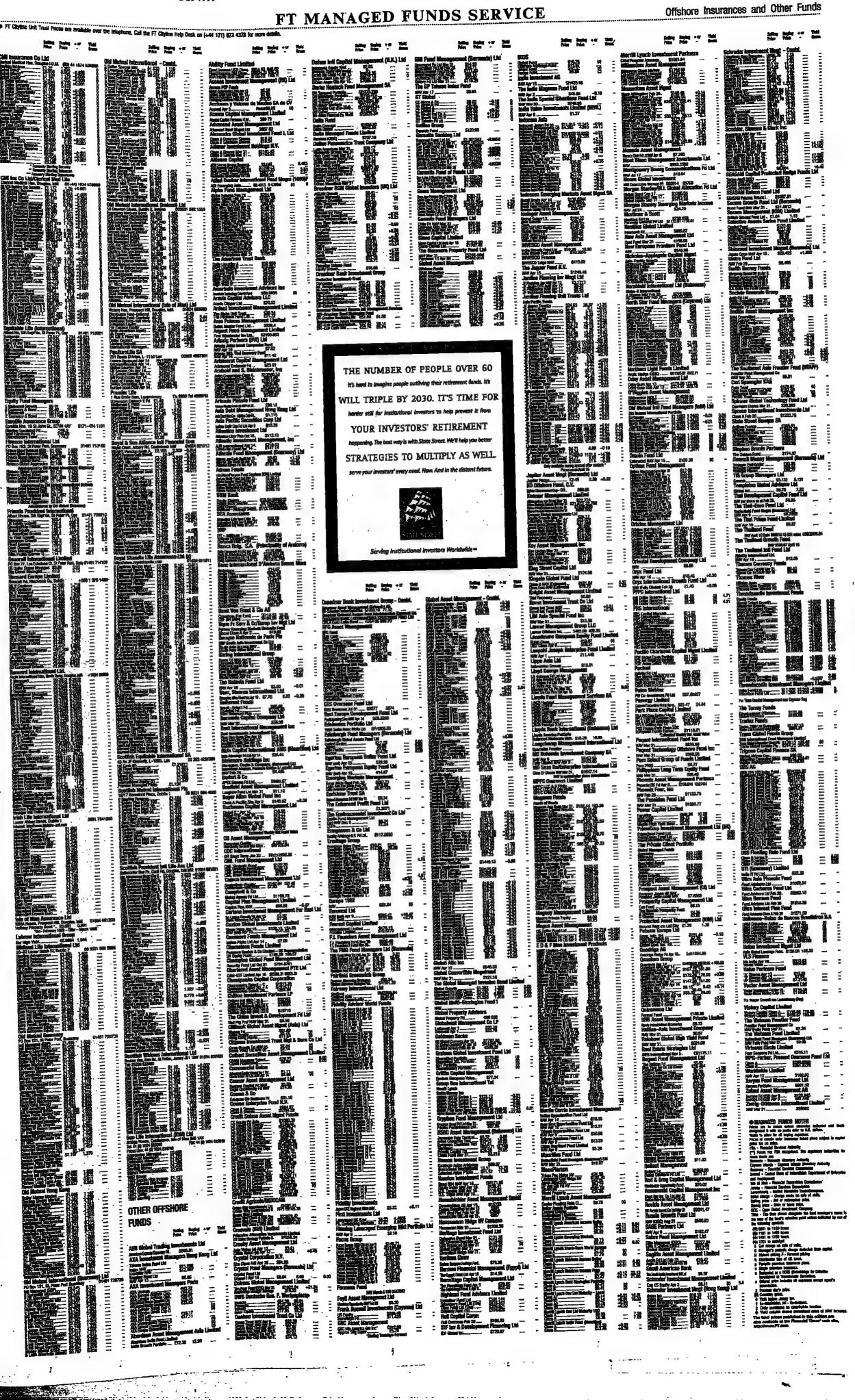
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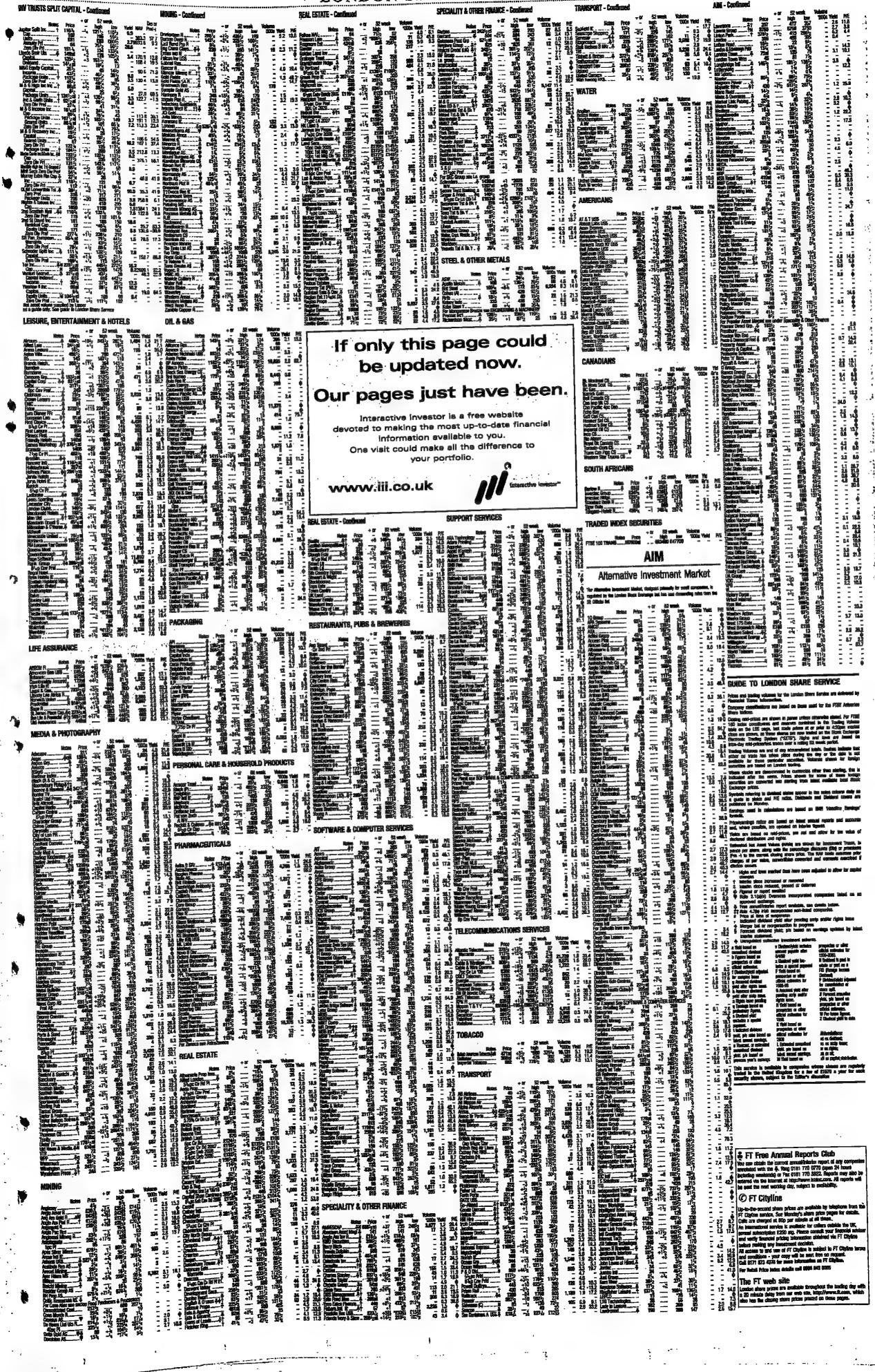


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Best performing sectors

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latest advance that gave the

biggest boost to sentiment.

following up last Friday's 31-

point gain, which saw the

Dow Jones Industrial Aver-

age hit its fifth consecutive

The day's UK economic

news - headline output

expected but core prices

were below forecasts - had

Turnover expanded to

15 per cent share buyback 2 01 a 6m

1.49bn shares, boosted by a

carried out by Tomkins.

which accounted for around

sector J Sainsbury rose 24%

to 415p in 10m traded, while

Tesco was off 11: at 180p as

Speculation that Marks

and Spencer was the target

of Warren Buffett's attention

did the rounds again as the

retailer said it would try to

discover the underlying

holders of a 3 per cent stake

bought by Brandes Invest-

ment Partners, a US invest-

trading it had 85.6m shares

in M&S, which was down 12p

in the morning but closed up

101/ at 4331/ap. It later said it

Offshore Tool & Energy

unveiled its first results

since joining Aim in Novem-

ber and said the low oil price

had affected it in January

and February but activity

had picked up significantly in March and April. The

stock was the best performer

in the market, gaining 35 per

Leading information tech-

nology stocks were again among the worst performers.

as investors switched from

highly rated shares into the

lowly rated cyclical stocks

that have so firmly returned

Some analysts are said to

believe the party is over and

the high ratings these stocks

once enjoyed may not be

and services group, was off

60 at £16.30. In common with

some other highly rated

stocks, it has suffered a sub-

At this level it stood at

about 40 times next year's

forecast earnings, down from

the 50 times earnings at

which it traded earlier this

It has underperformed the market by 20 per cent since

Sage was off 57%

stantial de rating.

CMG, the IT consultancy

cent or 3 to 11½p.

to favour.

seen again.

year.

investors hoped for the 221.17%, compounding its 12 Compating its 12

to the offer at which Asda the start of the year.

Brandes said in morning

14m were dealt.

ment bank.

Buffett

closing high.

little impact.

By Steve Thompson

terday.

UK Stock Market Editor

It was another session of

sparkling all-round gains for

London's equity market yes-

The FTSE 100 index fin-

ished the day at a record

closing high and looked set

fair to launch another attack

on its intraday high -

6,539.9. The FTSE 250 and

SmallCap indices crept ever

A stunning advance by

Wall Street - where the Dow

Standard

presents

its case

COMPANIES REPORT

niggest institutions.

By Peter John and Martin Brice

Standard Chartered led the

hanking sector higher as

investors moved into the

stock at the start of a week

of presentations to the UK's

Eleven funds, most of

which own more than 2 per

cent of the bank's shares.

paid to send representatives

out to Hong Kong at the

A gruelling schedule,

which began on Sunday

evening, continued yester-

day with seven events

including talks on risk in

China and an appraisal of

corporate banking in Hong

The programme moves to

Singapore on Wednesday.

While it was too early for

any solid fundamental news

to filter back to the dealing

desks, most brokers expected

any reports from the com-

pany to be positive rather

The shares have virtually

recovered all their losses suf-

fered during the Asian eco-

nomic crisis. However, the

stock is still seen as one of

the market's prime cyclical

43% to £10.99%, helped by

strong gains in Hong Kong's

Standard Chartered rose

than negative.

recovery plays.

closer to their peaks.

ning streak during which it helped fuel London's uptick.

Once again the market ommended exposure to the

was driven ahead by take. UK stock market to 14 per

Adding to the positive the industrialised world.

mood was news of more Having recently removed the

cautiously to new business and in which many institu-

Continuing the pattern of has risen 71.74 or 3 per cent. The broker increased its rec-

slipping back, surged to with the second-liners the market's sectors, includery in the balance of earn-prices came in stronger than

Best and worst performing FTSE sectors

figures for the first quarter

of 1999. Although new life

and pension sales rose 32 per

cent, analysts were unimpressed by the change in

business mix, which is likely

move to cyclicals coincided

with a growing Balkan war

premium and a savage

The underlying price of

the most representative oil future broke briefly though

\$16.00 a barrel and dealers

said the price of jet fuel had

tumped from \$125 a tonne in

March to \$145 a tonne yester

day, partly because of the

brutal after so much under-

performance. It has left some

analysts traumatised," said

Crude oil prices dropped

below \$10 a barrel at the end

of last year, with some of the

more bearish oil company

analysts predicting a strug-

gle for survival for some of

BP, which will represent

10 per cent of the Footsie

when the takeover of Atlan-

tic Richfield goes through

"I think this rally has been

Kosovo conflict.

the e&n stocks.

Oils shot higher as the

to see falling margins.

squeeze in the sector.

Lehman Brothers also

Lehman said: "The recov-

the UK than elsewhere in

prospect of rate cuts in the

the only major equity mar-

US, the UK stands alone as

Personal Care & Household Products

tions are still fundamentally

underweight, jumped 57% to

£11.821. The stock has

already overshot most ana-

lysts' year-end share-price

targets and many brokers

are believed to be re-examin-

Shell Transport rose 13 to

457' ip despite going ex an 8p

dividend. The rally was also

marked among the explora-

tion and production stocks. British-Borneo led the FTSE

250 with a rise of 20 to

1721ap. Enterprise rose 38 to

The prospect of more take-

overs and mergers was at

the forefront of investors'

attention as the bigger

retailers saw very heavy vol-

ume. Asda, the object of

Kingfisher's ardour, was off

5 at 193%p as 26m were dealt,

while its suitor was off more

than 5 per cent or 44 at 796p.

which will leave sharehold-

ers in Kingfisher with 66.33

per cent of the new group,

valued Asda shares at 182p.

They closed at a premium of

6.4 per cent to that estimate.

Analysts suggested the

deal was prompted by fears

that European retailing was

about to be changed by the

entrance of US stores group

Wai-Mart, and the premium

shares traded suggested

FIRE 200
FIRE 200 or law Co-FIRE 200 or law Co-FIRE 200 or law Co-FIRE 250 or law Co-FIRE 250 Londor Yea

FTSE Actuaries Industr

TYCLICAL SERVICES(22

The terms of the merger,

423p and Lasmo 7% to 142p.

Retall buyers

ing their forecasts.

2000

FTSE 100 and All-Share indices hit new highs

moved through the 3,000 for outperformance during over news and speculation cent from 13 per cent.

close above that mark for attracting a fresh burst of ing food retailers, telecoms, ings revisions is stronger in

At the close, the mid-cap companies returning cash to

index was 53.2 higher at shareholders, with Inchcape

may have become over- ning performance and a gain cial dividend totalling ket that will be supported by

began - saw the FTSE 100 ing fear that markets are leapt 22.5 to 2.489.6. also a cial dividend.

move into overdrive, finish- now more momentum driven fifth consecutive gain, a win-

level last Wednesday before the early part of the day, that spread across many of

warned that the markets 5,849.4, its fifth straight win- proposing a 100p-a-share spe-

Jones Industrial Average heated. Richard Jeffrey at of 290.5 or 5.2 per cent dur- £530m, and Associated Brit- falling short and long rates."

£19.42 and RBoS 33 to £14.75.

NatWest was up 49 at £15.66

and Lloyds TSB 36 at £10.03.

fell 11½ to stand at 977p as

David Hudson, newly

arrived at HSBC Securities

from Credit Lyonnais Laing,

downgraded the stock to

under the impression that

the momentum for recovery

in the UK for general insur-

ance has been choked off

456p as the market reacted

Norwich Union shed 3% to

"reduce" from "hold". Mr Hudson said: "We are

recently"

Apr 19 Apr 16 Apr 15 Apr 14 Apr 13 Yr ago "High "Low

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Apr 19 Apr 15 Apr 18 Apr 14 Apr 13 Yr egn

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Composite insurer CGU

the first time, reaching a support as the cyclical banks and leisure.

attention.

ing 94.7 higher at a closing - ratings are too extreme."

Share index, which briefly 250 index took the honours

record intraday and closing stocks remained the focus of

Hang Seng index. By com- chewed over the prospect of

parison HSBC, which hit a a merger with Royal Bank of

new high in Hong Kong, Scotland. Barclays rose 44 to

And the broader FTSE All- recent sessions, the FTSE

record of 6.513.3.

1.4 per cent.

cent this year.

figure of 3,010.25, up 40.5 or

gained 28 to £23.03. HSBC

has outperformed the FTSE

All-Share index by 22.1 per

Banking stocks were

driven by the strong perfor-

mance in the US, which was

helped in turn by well-

received figures from Citi-

to the market at which

banks normally trade was

beginning to look unjustif-

ied, particularly if there was

onomic downturn

weekend press reports that

Barclays benefited from

Analysts said the discount

group, the US bank.

Some market strategists

shot up more than 200 points CCF Charterhouse said: ing that time. Not to be out 1sh Foods handing back

not long after US trading "There has to be an underly- done, the FTSE SmallCap \$448m via a 50p-a-share spe-

hor

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The EASDAG All Share Index (EASI) for 19th April: 1001.45 stooms 2-18th Day's bight 1021.71 Bay's Jover 1000.45

5ASDAG is a high regulated extended pan Except Stock Market focused by high power companies with Interrugional sequences. The shares of

STOCK MARKETS

Wall Street gains put euro worries in shade

Street, merger moves in any worries about the euro, cut in Asia kept the mood of record low against the the equity markets determinedly upbeat yesterday, writes Jeffrey Brown.

trading day, and it allowed Europe and an interest rate which sagged to another

Frankfurt rose 2.1 per cent to more than recover, in one US equities were nearly 2 bound, the net 82-point slide per cent higher on the Dow on the Xetra Dax over the

per cent sell-off at market mark on the day. heavyweight France Telecom, ended 1.8 per cent

A number of brokers turned more positive on euro-zone shares, notably Lehman Brothers, which lifted its European exposure a quarter of the constituents at the expense of Asia. But, of the Standard & Poor's 500

the close of the European Paris, constrained by a 5.4 Wall Street that stamped its far. I/B/E/S says: "We believe euphoria, slipping more than Late on Friday, I/B/E/S.

the information company. issued a particularly bullish report that fuelled the talk building up about bumper

On the evidence of roughly once again, it was mostly index to have reported so on a day of unashamed for the 10th time this year.

fears the company could be

sidelined if Deutsche Tele-

kom opted for a merger with

LVMH soared €21.50 or 10

per cent to €236.50, rebound-

ing from a fall last week

ofter it was axed from the

FTSE Eurotop 100 index.

Higher-than-expected first-

quarter sales helped to boost

as investors lost patience

with its slow-moving bld for

Société Générale and Pari-

bas. Axa, a supporter of the

bid, said a secret pact signed

with Paribas 10 years ago to

protect each other from hos-

tile takeovers did not apply

Some cyclicals that rallied

last week stood their ground.

to €163.40 while Legrand

higher at 559.39 on the AEX

index in spite of determined

profit-taking in chemicals

that sent Akzo Nobel down

€1.60 to €36.05 and DSM off

Philips stayed firm ahead

of Thursday's first-quarter

added €1.50 at €53.50.

€1.10 at €90.

AMSTERDAM ended 10.95

added €17.90 to €231.90.

BNP gave up €2 to €73.20

the share.

Oil and gas fuel big advance

this quarter is tracking 1 per cent. In contrast, Hong towards the strongest earn- Kong gained 2.2 per cent ings surprise since the first while both Seoul and Manila

"It appears that QI 1999 earnings growth will be better than 6 per cent on a yearon-year basis." Not for the first time,

the shipping group as an

in the European telecoms

sector continued to wash

over on to KNP, which

gained a further €2.40 or 6.3

jumped €2.05 or 7.8 per cent

er cent at €40.40. KLM

ZURICH was higher but in

thin trade marked by techni-

cal buying and a recovery in

the pharmaceutical stocks

after four sessions of losses.

The SMI index closed 84.0

Roche certificates, under

strong pressure in recent

sessions on concerns that

the growth potential of the

US market could dwindle,

rebounded SFr260 to

SFr17,520. Novartis was

ABB, the engineering and

technology group, put on

another solid increase in

first-quarter profits tomor-

row, although a string of

SFr32 higher at SFr2,391.

higher at 7,348.8.

The takeover speculation

undervalued cyclical.

to €38.25

Tokyo was the odd man out

Bombay rises

surged more than 5 per cent. Manila climbed to a 20month peak in some of the heaviest trading of the year, driven by capital inflows which allowed the central

mates widely divergent.

Both companies announced

the opening of manufactur-

Saurer jumped SFr52 to

chinery and motor com-

SFr857 and the textile

takeover of several internet

HELSINKI seemed to be

running out of steam.

dragged down by heavy-

weight Nokia and cooling

cyclicals. The Hex index

closed 126.18 or 1.8 per cent

lower at 6,755.86, one of the

Nokia, the most heavily

ighted stock, fell 62.20 or

sharpest retreats in Europe.

3 per cent to €71.70 ahead of

third-quarter results due on

ment to shareholders.

as Delhi falls bank to reduce interest rates

The news that India's market-friendly budget would be passed this week. in spite of the fall of the government, lifted shares

EMERGING MARKET FOCUS

The benchmark BSE-30 index rose 124 points or almost 4 per cent to 3,451. Yesterday's rise follows a market bloodbath on Saturday when Atal Behari Vajpayee, the prime minis-

by a single vote. variables have made esti-The BSE-30 index, up 100 in early trading on Saturday. Among other cyclicals. plunged more than 300 after Georg Fischer put on SFr6 to the vote. It closed down 246 SFr516 and Algroup was or 7 per cent at 3,327. SFr46 higher at SFr1,737.

"The market priced in aid Rukhshad Shroff, strategist at Jardine Fleming. The prospect of the budget being passed is a bright spot." However, he warned

ponents maker announced of huge volatility ahead. clans for a capital repay-Investors fear prolonged Swisscom gave up SFr4 to bility whoever forms a gov-SFr524 in an uncertain persymment. The main opposiformance awaiting confirmstion party, Congress, would tion of the Deutsche Teleneed to rely on communists kom and Telecom Italia deal. In the technology sector, Distefora, which had outperand a number of feuding regional parties to form an

While the budget is now providers, tumbled SFr28 to almost certain to survive, the fate of further reforms insurance liberalisation, privatisation, subsidy cuts

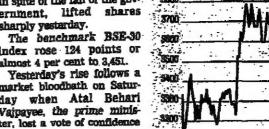
looks bleak.

The political impasse may also prevent India from reaching a deal with the US on its nuclear deterrent.

Yesterday's modest recovery was centred on indusbenefit from rising rural demand following a good harvest and firming commodity prices. Others may

OSLO advanced an impresbenefit from tax breaks in sive 3 per cent, outperformthe budget that make it ing most regional markets. The Total index was up 32.57 attractive for fund managers to 1,103.95, hitting a nineto buy high-yielding stocks. Software and pharmaceutimonth high on gains on Wall Street, a raily in Europe and cals, which lost out heavily in the market slide, hardly

Written and edited by Michael Pharmaceuticals, held back by lacklustre results, stood to gain from the old



reform price control. This near future.

Software results, spectacu lar in percentage terms, met analysts' expectations, though they failed to surtor - which earns dollar revenues from exports to the US and Europe - is often seen as a safe haven in times of trouble at home. But not this

up big long positions in softexpecting an influx of foreign money, have rushed to cover their short positions. They fear foreign inflows will now alow.

Analysts say the market as a whole is being supported by the strong rise in other Asian bourses. The benign global environment is also reflected in commod-

However, foreign institutions are up in arms about the decision to open India's markets for the confidence vote on a Saturday, when most foreign funds are unable to trade. A similar situation occured six weeks ago, when the budget was

"You are effectively closing out institutions from the market," said Fergus Fleming, managing director of

E-21

E ...

Dow bulls pull in horns after surge

blue chips higher on Wall shifted from the technology sector into cyclical and Labate in New York.

The Dow Jones Industrial Average was carried 89 points higher in early afternoon trading, a rise of 0.85 represented a substantial pull-back after being as high as 10,765.74 at one stage. Those gains came at the expense of the Nasdaq composite index, which fell 76.80 or 3.09 per cent to 2,407.24. The Standard & Poor's 500 index turned back from early gains and fell 8.26 or 0.63 per cent to 1,310.74 in the early afternoon.

favour of cyclical and industrial shares continued yesterday but other factors helped to broaden out the buying, including earnings figures by several major

was up \$4% or 5.9 per cent to \$75% after reporting a strong quarter. BankAmerica rose \$2# to \$75# after reporting its own strong rice in earn-

The breadth of buying was surprisingly strong as analysts saw gains in the midcap and small-cap stocks. By early afternoon, advancing stocks outnumbered decliners on the NYSE by a margin of more than 3 to 1.

Cyclical shares in the Dow continued to rebound from

\$59% and chemicals company Union Carbide gained \$21 or more than 5 per cent

Internet stocks sold off sharply, with Amazon.com down \$24 or 12.6 per cent to \$168 and America Online off \$16 to \$126%. Semiconductor producers and computer makers were mostly lower. Compaq Computer, which announced a senior management shake-up, was down \$4

Motor stocks were up on the day, with Ford Motor gaining \$2% to \$67%. Dana Corporation rose \$4% or more than 9 per cent to \$514 after it announced a stock buyback programme following the release of its quar-

TORONTO climbed on the Last week's trend in back of rising resource 300 composite index was 20.7 ahead by midsession at 7,033,30 in volume of almost 50m shares.

Twelve of the market's 14 sub-indices opened higher. led by a 2 per cent rise in the metals and minerals group and a 1.6 per cent advance in the oil and gas group. The paper and forest prod-

ucts group and the gold and precious minerals sector also displayed early promise. Analysts noted that investors were starting to move back into cyclical stocks, such as resources, as there is optimism that Asia's eco-

nomic problems are starting Alcan Aluminium put on months of weakness on the 85 cents to C\$44.95 and gold nomic growth in the coming traded 20 cents higher at

São Paulo surges to fresh highs for year

in early trading as investors took their cue from the powerful start on Wall Street.

By midsession, the benchmark Boyesna index was hitgain of 302 or 2.6 per cent at

MEXICO CITY pushed territory. Up 66 points on higher at 5,662.97 at midsesimpact of strong capital later in the day.

SAO PAULO stormed ahead inflows. "It's all foreign buying. The locals are sitting this one out, Trading volumes are only moderate," seid one broker.

sion, a fresh high for the

Friday, the IPC index was a in which Endesa of Spain is further 106.58 or 1.9 per cent taking a stake, was the main centre of attention, adding sion as the recent buying 50 centavos to 226.50 pesos wave broadened under the ahead of a board meeting

SANTIAGO brushed aside

ting fresh 1999 highs with a inflation niggles to improve 2.76 or 2.2 per cent to 129.74 on the IPSA index at midses-

Brokers said that Enersis,

sharply yesterday, tracking a robust Wall Street and regaining strength after several days of consolidation. stronger following a rise in

European markets rallied

oil prices while Oslo and Copenhagen, heavily dependent on oil, posted solid were weaker as investors thought a projected merger between Telecom Italia and Deutsche Telekom was facing substantial regulatory

The FTSE Eurobloc 100 index, which covers leading companies in the euro-zone closed 17.13 or 1.6 per cent higher at 1,068.10. The FTSE Eurotop 100, covering countries inside and outside ecoclimbed 46.94 to 3,024.28, while the broader FTSE Eurotop 300 settled 18.33 higher at 1,307,47.

FRANKFURT finished within a whisker - 2.8 points - of its session best, adding 109.38 or 2.1 per cent on the

Karstadt, a strong market lately on persistent talk of corporate activity, shot ahead on news that it was in talks with Quelle, the privately owned mail-order giant. Against a session best of €405, the stock ended up €40.50 or 11 per cent at

Deutsche Telekom maintained a fairly discreet stock market profile in the face of rumour and counter-rumour about the group's plans for a merger with Telecom Italia and possible bid for Sprint. the US carrier in which it has a 10 per cent stake. The shares eased 25 cents to

Thyssen-Krupp recovered early falls following a downbetter at €21.46. Siemens jumped €3.08 to €67.38 on

disposal talk PARIS resumed its rise from the trading group's after a pause last week, management at the annual

weighted France Telecom.

helped by Wall Street's meeting. VNU added 95 sharp gains in early trading. cents at €36 after an upgrade The rise in the CAC-40, up at Deutsche Bank, which 78.43 or 1.8 per cent to lifted its target price for the 4,379.34, came despite a media group to €43. Nedlloyd stretched its

sharp loss in heavily recent rally to a five-month

Shares conceded €4.40 or 5.4 high, gaining €2.20 to €25.50 per cent to £76.50 on as investors continued to see

SOUTH AFRICA

R2bn. The gold index, rejig-

began moving into industri-

ged after complaints that it did not accurately reflect the history of the sector, put on 10.3 to 1.032.1.

7,550.3 with South African The overall index rose 60.4 Breweries putting on 170

Johannesburg moves higher

Johannesburg moved ahead as investors continued to buy commodity stocks and

Industrials added 68.3 to

Blue-chip buying boosts Seoul

Sustained buying of blue chips by investment trusts and foreign investors sent SEOUL leaping ahead. The composite index rose 41.45 to 766.59, its highest level since

Posco added Won12,000 to Won93,100 and SK Telecom Won144,000 to Won1,105,000 both running into their upper limits.

TOKYO stocks fell back after investors began to fear that a stronger yen could hurt the country's exporters, writes Gillian Tett. The Nikkei 225 average closed at 16,674.21, down 177.37 on the day, after moving between

16,583.64 and 16,858.28. The broader Topix index closed 10.34 down at 1,332.69, while the Nikkei 300 index lost 1.55 at 267.47. Volume dipped to 751m shares from Friday's 778m. Losers out- and paper, for example, perpaced gainers by 698 to 504. with 118 issues unchanged.

Traders said they expected

the index to stay in the

16,500 to 17,000 range as the

market was finely balanced between the differing stances taken by foreign and

Although some investors had hoped this trend would be reversed this spring when pension funds received their new allocations, there have been no concrete sign yet of a turnabout in their stance. However, foreign investors

THE DAY'S CHANGES		
	& Change	
Jakarta	+6.0	
Seoul	+5.7	
Manila	+5.5	
Singapore,	+4.1	
Kuala Lumpur	+2,7	
Bangkok	+2.4	
Hong Kong	+2.2	
Tokyo.,	-1.1	

have been heavily purchasing Japanese equity in recent weeks, and there has been no sign of this trend

Issues with low prices. such as steel stocks and pulp formed well yesterday due to heavy buying by foreign and individual investors. The pulp and paper sector rose 2.9 per cent, steel 0.9 per cent and non-ferrous metal

1.28 per cent. Technology issues suffered due to concern about the 508.15.

lost 1.5 per cent at Y797, and Fuji 1.1 per cent at Y4,500. MANILA rose to a 20-

month high following a central bank cut for interest rates, the 10th reduction this year. Amid strong demand for shares, trading volumes surged to 4.45bn pesos from Friday's 3.1bn. Blue chips led the way up.

PLDT 55 pesos to 1,275 pesos. The composite index ended 122.34 higher at 2,355.98. SINGAPORE gained ground in turnover that came close to matching the HK\$14.8bn, the highest level record set in 1994. The Stralts Times index closed

up 72.89 at 1,842.31 after touching 1,892.17. In financials, DBS foreign shares rose S\$1.50 to S\$17. Creative Technology created a stir in the electronics sec-falling interest rates and a tor, jumping \$\$3.50 or 16 per more bullish outlook for the

cent to \$\$25.30. JAKARTA soared, boosted by optimism over the gen- 615.42, having touched eral election expected on 621.14, just below a 1999 June 7 as well as falling intraday high of 621.57 set on interest rates and rallies in regional bourses. The composite index breached the demand came mainly from 500 mark, surging 28,62 to

Domestic investors have impact of the weaker yen. Volume remained subdued tutions taking been heavy sellers of Japa. Sony closed 1.4 per cent on concerns about the status long-held position

government is expected to make an announcement tomorrow on the cost of

HONG KONG rode a surge of fund inflows through the 13.000-point level, only to fall back sharply on profittaking late in the sesfinished 276.14 higher at Metropolitan Bank rose 17.5 12,766.44, off a peak of pesos to 372.50 pesos and 13,079.50. It had taken just two trading days for the index to break from 12,000 to 13.000. a level not seen since since October 1997.

Turnover soared to since government buying during a large-scale inter vention set a record of HK\$79bn on August 28 1998.

KUALA LUMPUR flirted with a 1999 high as investor were again encouraged by economy. The composite index finished 16.01 ahead at January 22.

Analysts noted the Singapore and Hong Kongbased funds, with local insti-Volume remained subdued tutions taking profits on

"At the Forefront of Financial Evolution in Japan"

TAISHO PHARMACEUTICAL CO., LTD. Into accopined the Coine insuch a business from MAX FACTOR Robustible Kaloine, PROCTER & GAMBLE FAR EAST, INC. and RICHARDSON-VICES INC.	NIDEC CORPORATION (NIPPON DENSAN) but diverted 69's absent of its valuability on POTRANS JAPAN ENC.	MITSUBISHI RAYON CO., LTD. but morped with NITTO CHEMICAL INDUSTRY CO., LTD.	TOA CORPORATION bins integrated B.B.M. ELECTRONICS GROUP LTD
June 1 ligy	October 1907	December 1997	April 1996
DAIREN CORPORATION has sequired controlling shares in a conspany in Thefanai	MELJI SEIKA KAISHA, LTD, has increased starce in TEDEC MELJI FARMA S.A. in Spain	CALSONIC CORPORATION and MIURA PRINTING CORPORATION but the amount of their affiliate company to the U.S.	MARUBUN CORPORATION bas formed joint restored with ARROW ELECTROPPES INC. la the British Virgin Inlands and the United States
April 1988	April 1988	April 1998	August 1996
MORINAGA & CO., LTD. http://doi.org/10.000/0000000000000000000000000000000	SHIMADZU CORPORATION and MARUBUN CORPORATION brie incremed and acquired construction shorts in NORDIKO LIMITED	MABUCHI CORPORATION Interdirected 1984 sharps of MAREA UNIVERSAL CORPORATION	ASATSU INC. DAI-ICHI KIKAKU CO., LTD.
	Sootember 1890	Soplanter 1906	September 1998
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Suptorther 1886	Navember 1998	December 1500	December 1988
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December 1800	distancy 1999	January 1998	March 1000

The above represent a sample of transactions in which The Bank of Tokyo-Mitsubishi, Ltd. acted as Financial Advisor and/or rendered a third party valuation

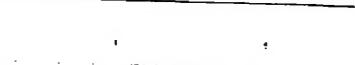


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